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RNG Proposals/Carbon Neutral Initiative/WNAR
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Case No.: GR-2021-0108

REBUTTAL TESTIMONY
OF
LENA M. MANTLE

Submitted on Behalf of the Office of the Public Counsel

SPIRE MISSOURI, INC.

CASE NO. GR-2021-0108

**

**

**Denotes Confidential Information
that has been Redacted**

June 17, 2021

PUBLIC

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

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

AFFIDAVIT OF LENA M. MANTLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Lena M. Mantle, of lawful age and being first duly sworn, deposes and states:


1. My name is Lena M. Mantle. I am a Senior Analyst for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Lena M. Mantle
Senior Analyst

Subscribed and sworn to me this 17th day of June 2021.



TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Coke County
Commission #15637121


Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.

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REBUTTAL TESTIMONY

OF

LENA M. MANTLE

SPIRE MISSOURI, INC.

d/b/a SPIRE MISSOURI EAST & SPIRE MISSOURI WEST

CASE NO. GR-2021-0108

1 **Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Lena M. Mantle. My business address is P.O. Box 2230, Jefferson
4 City, Missouri 65102.

5 **Q. Are you the same Lena M. Mantle that filed direct testimony in this case?**

6 A. Yes, I am.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. In this rebuttal testimony I provide responses to:

- 9 1. Two of Spire's miscellaneous tariff changes:
- 10 a. R-15.2 Free Extensions; and
- 11 b. R-25 Usage Estimating Procedure;
- 12 2. Spire's request for a voluntary renewable natural gas program offering as
- 13 proposed in the direct testimony of Spire witness Wesley E. Selinger;
- 14 3. Spire's request to include up to 5% renewable natural gas in its gas supply
- 15 as proposed in the direct testimony of Spire witness Wesley E. Selinger;
- 16 4. Spire's request for Commission approval of a carbon neutral initiative
- 17 offering as proposed in the direct testimony of Spire witness Scott A.
- 18 Weitzel;
- 19 5. Spire's rate normalization adjustment ("RNA") rider proposed in the direct
- 20 testimony of Spire witness Wesley E. Selinger; and
- 21 6. Staff's proposed RNA rider proposed in the Staff Class Cost-of-Service
- 22 Report.

- 1 **Q. Would you summarize the recommendations you make in this rebuttal**
2 **testimony?**
- 3 A. I make the following recommendations in this testimony:
- 4 • The Commission not approve Spire’s proposed tariff language allowing no
5 cost line extensions at Spire’s discretion;
 - 6 • The Commission require Spire to document in its tariff its current
7 estimation practices for customers without a meter reading. When it
8 develops and settles on a better methodology and before it implements a
9 change, Spire should file a revised tariff sheet for approval by the
10 Commission documenting the new methodology;
 - 11 • The Commission wait until rules regarding voluntary renewable natural gas
12 programs are effective before approving such a program for Spire;
 - 13 • The Commission not allow Spire to procure any of its gas supply from
14 renewable sources unless the total cost of the renewable gas is comparable
15 to the non-renewable natural gas Spire is purchasing for its customers;
 - 16 • The Commission not approve the Voluntary Carbon Neutral Initiative
17 Offering (“Carbon Neutral Initiative”) proposed by Spire;
 - 18 • The Commission not approve any type of mechanism to account for
19 fluctuations in weather and/or conservation because Spire did not provide
20 testimony justifying why the Commission should approve a mechanism;
21 and
 - 22 • If the Commission believes Spire has provided information that details its
23 need for a mechanism accounting for weather and some conservation, it
24 should approve the WNAR I recommended in my direct testimony.

1 **Miscellaneous Tariff Issues**

2 **Q. Which of Spire’s proposed tariff sheet changes are you addressing in this**
3 **testimony?**

4 A. I am addressing Spire’s proposed changes to its Extension of Distribution Facilities
5 rules and regulations found on proposed sheets R-15 through R-15.3. In particular,
6 I address Spire’s addition of a provision in the Free Extension section on proposed
7 tariff sheet R-15.2 that would allow it, at its discretion, to install service at no cost
8 to prospective customers.

9 I will also address Spire’s proposed tariff sheet R-25 which removes a
10 description of how estimated usage is calculated and replaces it with vague
11 language that gives little information on how Spire will be estimating bills for
12 customers without a meter reading.

13 **Q. Did Spire file testimony explaining its rational for these changes?**

14 A. No. These are only two of many changes that Spire did not file testimony providing
15 rationales for.

16 **Q. Did Spire note in its minimum filing requirement that its proposed tariff sheets**
17 **included changes to these tariff sheets?**

18 A. No. These are only two of many changes Spire did not point out in its minimum
19 filing requirements.

20 **Q. Do you support the other changes to Spire’s proposed tariff sheets that were**
21 **filed but not detailed in Spire’s filings?**

22 A. I do not have enough information to either support or not support any changes other
23 than the two in this testimony.

1 **Q. Regarding the cost to install service at no cost, what addition is Spire**
2 **proposing?**

3 A. Spire is proposing the following addition to its tariff sheet R-15.2 in the *Free*
4 *Extension* section of its *Extension of Distribution Facilities* regulations:

5 For any prospective customer, at the Company's discretion, the
6 amount of main and service the Company will install at no cost to
7 the customer may be determined by the Company from an analysis
8 of the character of service requested, the estimated annual revenue
9 to be derived from the customer, the estimated annual cost of
10 providing gas service and the estimated annual return to be derived
11 from such investment.

12 **Q. Why should this not be included in Spire's tariff?**

13 A. While this provision does require Spire to consider certain aspects of the
14 prospective customer (e.g. analysis of character of service requested, estimated
15 annual revenue, estimated annual cost, and estimated annual return), it does not
16 describe the parameters that need to be met to receive service at no costs. For
17 example, it does not say that this applies to industrial customers that will employ
18 more than 100 people or a customer who will provide annual revenue to Spire ten
19 percent higher than it will cost Spire, or that they estimate there will be a positive
20 return derived from such investment. The provision just says that Spire will look
21 at these things and make a determination whether it will provide extensions at no
22 cost to the customer.

23 This provision allows Spire to act discriminatorily and in a manner that is
24 likely to increase costs to its customers. Therefore, the Commission should not
25 allow this provision in Spire's tariff sheets.

26 **Q. Regarding the estimation of customer bills, what is Spire proposing?**

27 A. Spire is proposing the following language on tariff sheet R-25:

28 30. Usage Estimating Procedure:

1 Whenever it is necessary to estimate a particular customer's monthly
2 consumption, such consumption shall be estimated based on
3 historical usage data for the customer location, if available. Where
4 historical usage data at the customer location is not available, the
5 customer's estimate will be based on average usage data for similarly
6 situated customers.

7 **Q. How is it different from what is currently on Spire's tariff sheet R-25?**

8 **A.** The current tariff reads:

9 Whenever it is necessary to estimate a particular customer's monthly
10 consumption, such consumption shall be estimated by determining
11 the actual usage at the customer's location in a prior comparable
12 period and then adjusting such usage to reflect weather differences.
13 Where actual usage data at the customer's location is not available
14 for a comparable period, the estimation will be performed by
15 determining actual usage at the customer's location in the previous
16 billing period, and then adjusting such usage to reflect weather
17 differences. Where actual usage data at the customer's location is not
18 available for the previous billing period, the estimation will be
19 performed by determining the relationship of actual usage at the
20 customer's location to the average usage of comparable customers
21 as determined by the Company in a prior period, and applying that
22 relationship to the average usage of comparable customers in the
23 estimation period. Specifically, usage for a customer's billing period
24 for this last alternative will be based on the following formula:

25
26 $(A / B) \times C \times \text{No. of days in current billing period}$; Where:

27 A= customer's actual use per day in a prior billing period;

28 B= the average use per customer per day for comparable
29 customers using ending meter reading dates closest to that of the
30 prior billing period for the account being estimated;

31 C= the average use per customer per day for comparable
32 customers using ending meter reading dates closest to that of the
33 current billing period for the account being estimated
34

35 Where actual usage data at the customer's location is not available,
36 the customer's use will be based on average usage for comparable
37 customers.

1 The current tariff sheet not only explains what data will be used to estimate usage
2 for billing but also explains how the usage will be estimated.

3 **Q. Did Spire provide any testimony supporting this change?**

4 A. No. However, in response to Staff data request 144, Spire did provide the following
5 explanation for the change.

6 The elimination of the estimation formula was recommended in
7 order to provide flexibility in manual and system estimations, as
8 well as to be able to use technology enhancements to continually
9 increase the accuracy of estimations. This will ultimately increase
10 customer satisfaction and reduce complaints. In addition, Spire has
11 begun to experiment with machine learning in calculating usage
12 estimates, and the early trials on this are showing high accuracy
13 when we compared to actual usage. Technology enhancements, like
14 machine learning will enable us to estimate with a high level of
15 accuracy as opposed to having a specific formula in the tariff.

16 It seems that Spire intentionally made the tariff language vague because it is looking
17 at other methodologies at this time and wants to be able to use whatever
18 methodology it later develops to estimate a customer's usage. As a result, the
19 customer and the Commission will not have any idea of how a Spire bill is
20 estimated.

21 **Q. Does Spire's proposed change meet the Commission's requirement in**
22 **20 CSR 4240-13.020(2)(C)1 that Spire have an estimating procedure that it has**
23 **filed with the Commission?**

24 A. No. The proposed tariff language does not describe the procedure Spire will apply
25 to determine the estimated usage. It only provides what information will be
26 employed in estimating usage.

27 **Q. Is this a tariff provision that can only be updated in a rate case?**

28 A. No. It can and should be updated between rate cases as new, more accurate
29 methodologies for estimating usage are developed.

1 **Q. What is your recommendation concerning the tariff sheet’s description**
2 **regarding customer usage estimation?**

3 A. I recommend the Commission require Spire to document its current practices in its
4 tariff. When it develops and settles on a better methodology and before it
5 implements a change, Spire should file a revised tariff sheet for approval by the
6 Commission accurately documenting the new methodology. This will give Spire’s
7 customers and the Commission an understanding of the estimating procedure that
8 Spire is employing.

9 **Renewable Natural Gas Recommendations**

10 **Q. What is renewable natural gas?**

11 A. The Environmental Protection Agency (“EPA”) provides the following definition
12 of renewable natural gas (“RNG”) in its report *An Overview of Renewable Natural*
13 *Gas from Biogas* published in January 2021.¹

14 RNG is a term used to describe anaerobically-generated biogas that
15 has been upgraded (or refined) for use in place of fossil natural gas.

16 **Q. What is Spire proposing with respect to renewable natural gas?**

17 A. Spire witness Selinger includes his direct testimony two proposals related to RNG.²
18 One is a voluntary program where customers pay more with the expectation that
19 the funds will be used to purchase RNG. The other proposal is that the Commission
20 allow Spire to procure up to 5% of its gas supply from renewable sources and pass
21 the additional costs to the customers through its purchased gas adjustment (“PGA”).

22 **Q. What is your recommendation regarding the voluntary RNG program?**

23 A. I recommend the Commission not approve the voluntary RNG program proposed
24 by Spire. The Missouri Legislature passed HB 734 in the 2021 legislative session
25 and is currently waiting for the Governor’s signature to become law. It includes §

¹ This report is attached to this testimony as Schedule LMM-R-4.

² Pages 39-41.

1 386.895, which requires the Commission to adopt rules for gas corporations to offer
2 a voluntary renewable gas program. The Commission has not yet adopted such
3 rules so the approval of such a program would be premature. The appropriate time
4 for Spire to request Commission approval of such a program is after such a rule is
5 effective, not before the rule is written.

6 **Q. Did Spire provide an exemplar tariff sheet describing this program and setting**
7 **out the costs and parameters of the program?**

8 A. I could not find any such tariff sheets in Spire’s minimum filing requirements.

9 **Q. What is your recommendation regarding Spire’s request to procure up to 5%**
10 **of its gas supply from renewable sources?**

11 A. I recommend the Commission not allow Spire to procure any of its gas supply from
12 renewable sources unless the total cost of the renewable gas is comparable to the
13 non-renewable natural gas Spire is purchasing for its customers.

14 **Q. Why?**

15 A. The amount of RNG currently being produced is limited and the amount that could
16 be produced is limited. As states across the nation are considering mandates for
17 RNG much like they have for electricity generated with renewables, the limited
18 supply and the increased demand will drive the prices higher. While allowing Spire
19 to purchase some RNG may encourage more development, it is not the
20 Commission’s role to encourage RNG by requiring, or even “allowing” as Spire is
21 requesting, the purchase of RNG with all of the increased cost flowing through to
22 the customer. The Commission is to require the economic provision of natural gas
23 to customers at the lowest cost while assuring safety. If Spire desires to commit to
24 the purchase of RNG, the Company should shoulder the cost for RNG that is above
25 the annual weighted cost of gas without RNG.

1 **Q. Did Spire provide an estimate of the cost of RNG?**

2 A. No, it did not provide any information on the cost or availability of RNG in
3 Missouri in its direct testimony.

4 **Q. Did you have an estimate of the costs of RNG?**

5 A. I found an EPA study published in fall of 2016 that determined a cost range of
6 \$7/mmbtu (very large-scale) to \$25/mmbtu (small-scale) for projects upgrading
7 biogas to RNG for pipeline injection.³ It is likely these costs have increased due to
8 increases in state mandates for gas utilities to purchase RNG. Currently the market
9 price of gas is around \$3/mmbtu.

10 Allowing Spire to procure up to 5% of its gas supply with no information
11 on the cost and availability of RNG could have a significant impact on customer's
12 bills despite Spire's assertion that the impact would be negligible.⁴

13 **Q. Are there other things the Commission should take into consideration before
14 allowing Spire to purchase RNG as a part of its gas supply to meet its
15 customers' needs?**

16 A. Yes. If the Commission allowed Spire to purchase RNG and pass the costs through
17 the purchased gas adjustment ("PGA"), then Spire has no skin in the game. Spire
18 can purchase whatever amount it can find up to 5% at whatever cost it incurs and
19 the cost would flow through the PGA to customers. All the risk of availability and
20 cost is then on customers. Any and all purchases of RNG up to 5% of Spire's total
21 gas supply could not be shown to be imprudent regardless of the cost if the
22 Commission approves the language Spire is proposing in its PGA tariff sheet.

23 Finally, by allowing Spire to purchase RNG as a part of its supply, the
24 increased costs of RNG would be passed on to customers regardless of whether or

³ U.S. EPA. September 2016. Evaluating the Air Quality, Climate & Economic Impacts of Biogas Management Technologies. EPA/600/R-16/099.
<https://nepis.epa.gov/Exe/ZyPDF.cgi/P100QCXZ.PDF?Dockey=P100QCXZ.PDF> .

⁴ Direct testimony of Spire witness Wesley E. Selinger, page 40.

1 not the customer can afford an increase in their bills. Spire has many customers to
2 which even a small increase in cost results in a hardship. Instead of allowing Spire
3 to act in a manner that knowingly will increase the natural gas cost and pass that
4 cost directly to all customers, the Commission should move forward creating rules
5 that set the parameters for Spire to offer a program in the future that allows
6 customers who desire to pay for RNG to do so voluntarily.

7 **Voluntary Carbon Neutral Initiative Offering**

8 **Q. Would you summarize your understanding of the Voluntary Carbon Neutral**
9 **Initiative Offering?**⁵

10 A. For \$4 a month, a customer can, with Spire acting as a conduit, team up with Forest
11 Re-Leaf of Missouri (“ReLeaf”) who will plant a tree to offset the customer’s
12 approximate annual natural gas carbon footprint over the life of the tree. The \$4 a
13 month includes the price of the trees and planting the trees, with 20% of the monthly
14 costs covering administration and marketing costs. The monthly fee could change,
15 at Spire’s discretion, increasing to as much as \$10 a month in 2024 and what the
16 payment is funding could change to investing in a variety of other projects.⁶

17 **Q. What is your recommendation regarding this offering?**

18 A. I recommend the Commission not approve the Voluntary Carbon Neutral Initiative
19 Offering (“Carbon Neutral Initiative”) proposed by Spire.

20 **Q. Why?**

21 A. While I applaud ReLeaf’s efforts, there is no need for customers to pay Spire as a
22 middleman using the customers’ money for Spire’s administration and marketing.
23 Much the same could be achieved simply by Spire putting a link on its website to
24 direct interested customers to ReLeaf removing the need for Spire to act as a

⁵ Direct testimony of Spire witness Scott A. Weitzel, pages 27-29.

⁶ Direct testimony of Scott A. Weitzel, Schedule SAW-1, page 2 of 7.

1 middleman. ReLeaf would be in charge of collecting and receiving all the funds.
2 This would eliminate the quandary of what partial bill payments apply. In addition,
3 the 20% the customer would be paying Spire for administration and marketing,
4 would go to ReLeaf expanding and planting more trees. If Spire wants to contribute
5 to funding and marketing of ReLeaf, it may do so from its earnings, not its
6 customers.

7 **Q. Is there any other reason the Commission should not approve Spire’s Carbon**
8 **Neutral Initiative?**

9 A. Yes. The Carbon Neutral Initiative proposed by Spire is fluid. The starting cost is
10 \$4 a month. It might increase to \$6 and then at some point \$10. The timing and
11 amounts are to be determined by Spire in the future. The funds collected from
12 customers remaining after Spire keeps 20% for administrative and marketing costs
13 will be used to plant trees, or maybe invest in financial carbon offsets, technologies
14 to sequester or eliminate carbon output, land restoration or even technologies not
15 yet identified. Changes can be made at the will and discretion of Spire.

16 **Q. What would be the Commission oversight of this program?**

17 A. None other than approving the offering in this rate case. Spire commits to filing
18 costs and program details and to submit an annual report but Spire did not provide
19 exemplar tariff sheets that outline initial objectives and costs of the Carbon Neutral
20 Incentive for Commission approval for this program.

21 **Q. Would you summarize your position regarding Spire’s Carbon Neutral**
22 **Initiative?**

23 A. The Commission should not approve Spire’s Carbon Neutral Initiative. As
24 proposed by Spire, program objectives and costs can change at the will of Spire
25 with no approval of the Commission.

1 **Q. Are you opposed to the initiative itself?**

2 A. No. What I am opposed to is Spire acting as an unnecessary middleman for this
3 program while absorbing 20% of the contributions made by its customers. I have
4 no problem with individual customers choosing to donate money to help plant trees,
5 but if Spire wishes to support the program directly then it should do so with
6 shareholder money. This is especially true if Spire intends to promote itself or
7 support its public image using this proposed Carbon Neutral Initiative. It would be
8 immensely insincere for a utility to promote itself as charitable “good actor” based
9 on the donations of others while the utility itself spends not a dime.

10 **Mechanism to Account for Weather and Conservation**

11 **Q. What is the enabling statute for a mechanism to account for fluctuations in**
12 **revenue due to weather and conservation?**

13 A. I have been advised by my legal counsel that it is § 386.266.3. This section states
14 in part:

15 Subject to the requirements of this section, any gas or electric
16 corporation may make an application to the commission to approve
17 rate schedules authorizing periodic rate adjustments outside of
18 general rate proceedings to adjust rates of customers in eligible
19 customer classes to account for the impact on utility revenues of
20 increases or decreases in residential and commercial customer usage
21 due to variations in either weather, conservation, or both.

22 **Q. Should the Commission approve any type of mechanism for Spire under this**
23 **statute in this rate case?**

24 A. No. As I stated in my direct testimony, I recommend the Commission not approve
25 any type of mechanism to account for fluctuations in weather and/or conservation
26 because Spire did not provide testimony justifying why the Commission should
27 approve a mechanism allowed by this statute for Spire. Instead, Spire presumed
28 that since the Commission approved a mechanism under this statute in the last case,
29 it was entitled to such a mechanism. Section 386.266.5 provides that the

1 Commission has “the power to approve, modify, or reject” an adjustment
2 mechanism to account for the impact of weather, conservation, or both. This
3 indicates that such a mechanism is a privilege, not a right and should be justified to
4 the Commission in each general rate case for approval, continuation, or
5 modification. If a utility cannot take the time and effort to provide testimony
6 detailing to the Commission why a mechanism that shifts risk from the utility to its
7 customers should be approved, then it should not be allowed such a mechanism.
8 This is a customer protection that should not be short-changed.

9 **Q. If this is your recommendation to the Commission, what is the purpose of your**
10 **rebuttal testimony with respect to a rate adjustment mechanism for the impact**
11 **of weather, conservation, or both?**

12 A. I assume that, after reading my direct testimony, Spire will provide in its rebuttal a
13 rationale for why the Commission should approve a mechanism. This testimony
14 explains why the Commission should not approve the mechanism proposed by
15 Spire even with Staff’s proposed modifications. Even so, the recommendation in
16 my direct testimony that the Commission should not grant Spire a
17 weather/conservation mechanism because Spire treated it as a right and not as a
18 privilege still stands.

19 **Weather Normalization Adjustment Rider vs. Rate Normalization Adjustment**

20 **Q. What parties in this case are proposing mechanisms that adjust revenues for**
21 **weather, conservation, or both?**

22 A. OPC is the only party that has proposed a mechanism that accounts for weather and
23 some conservation impacts on revenues.

1 **Q. Didn't Spire and Staff also recommend the Commission approve a mechanism**
2 **to adjust for weather, conservation, or both?**

3 A. No. They both proposed a rate normalization mechanism ("RNA") that insulates
4 Spire from fluctuations in the Block 2 portions of the revenue requirement of
5 Spire's residential and small commercial customer classes.⁷ This mechanism
6 removes from Spire all risk of it recovering this portion of its revenue requirement
7 that are subject to volumetric recovery for these two classes.

8 **Q. Would the mechanism proposed by Spire account for changes revenue due to**
9 **weather and conservation?**

10 A. It accounts for *all* changes in revenue in this second block, regardless of the reason
11 for the change including changes in revenues due to weather and conservation.
12 Much like the rate stabilization mechanism proposed by Spire in the last case that
13 the Commission found inconsistent with the statutory requirements,⁸ the RNA
14 would account for fuel switching, rate class switching, and economic factors that
15 impact usage in the second block and not just changes due to weather and
16 conservation.

17 **Q. Are there any other reasons the actual revenues would fluctuate from rate case**
18 **revenues?**

19 A. An additional reason may be that the normalization and annualization of the billing
20 determinants and revenues in this case is not an accurate representation of future
21 usage and revenues.

⁷ Staff CCOS report, page 39.

⁸ GR-2017-0215 and GR-2017-0216, *Report and Order*, page 83.

1 **Q. Do you have any reason to believe that the normalizations and annualizations**
2 **adjustments to class billing determinants and revenues in this case are not**
3 **accurate?**

4 A. No. However, the adjustments in this case are estimates that do not, and should
5 not, account for changes in usage for things like pandemics, recessions, inflation,
6 or wars. If the Commission approves the RNA requested by Spire and Staff, Spire
7 is assured a constant level of revenues regardless of what happened to the economy
8 and the world during the test year and after this rate case regardless of the impact
9 of these uncertainties on its customers.

10 **Q. How is the weather normalization adjustment rider (“WNAR”) that you**
11 **proposed different?**

12 A. The WNAR that I have recommended is consistent with Spire’s current WNAR
13 that the Commission found was in the public interest in Case No. GR-2017-0215.
14 With a WNAR, adjustments to revenue are based on the relationship between usage
15 and weather at the time of the rate case and the difference between actual and
16 normal weather. It does account for some conservation but also leaves some risk
17 associated with revenue changes due to conservation on Spire as I described in my
18 direct testimony. It adjusts revenue only for weather and a portion of the
19 conservation as allowed by statute.

20 **Q. Does the rate normalization adjustment mechanism (“RNA”) account for both**
21 **weather and conservation?**

22 A. The RNA mechanism assures Spire that it will recover a predetermined revenue,
23 which would include revenue changes due to weather and conservation along with
24 changes that occurred for other reasons.

1 **Q. Could there be any unintended consequences if the Commission approved a**
2 **RNA?**

3 A. Yes. The normalized baseline revenue for this mechanism is based on the
4 residential and small general service revenue requirements as determined in this
5 case. Utilities typically are neutral regarding class cost-of-service allocation of
6 revenue requirement to the classes as long as the sum of the revenue requirements
7 of the classes equals the revenue requirement set by the Commission. If the
8 Commission approves a RNA mechanism, Spire may become very interested in
9 what revenues are allocated to what customer classes. The greater the revenue
10 requirement that is placed on its small customers, the lower Spire's risk of
11 recovering the revenue requirement set in this case since it will be guaranteed a
12 portion of the revenue requirement allocated to the residential and small
13 commercial customer classes.

14 **Q. What are the implications of the Commission approving a WNAR to other**
15 **aspects of the rate case process?**

16 A. If the Commission approves a WNAR, the parties will work to provide an accurate
17 measure of weather and accurately define the relationship of the customer classes
18 to weather.

19 **Q. Would that not be important with a RNA mechanism?**

20 A. While the weather normalization of revenues would still be important, the critical
21 objective of a RNA is revenues, not correctly measuring the relationship between
22 weather and usage.

1 **Q. Before getting into specifics of the testimonies of Spire and Staff regarding the**
2 **RNA, do you have concerns with the concept of the RNA mechanism proposed**
3 **by Spire and Staff?**

4 A. Yes. As I have already explained, the RNA is essentially decoupling the revenues
5 received from the residential and small general service customers from their usage
6 thus removing almost all of the revenue risk from Spire and placing that risk on
7 customers. In addition, I have the following concerns:

- 8 1. The RNA which is recovered/returned to all customers based on
9 usage, yet it is calculated from only the amount of usage in the 2nd
10 block; and
- 11 2. Spire would continue to recover revenue for small general service
12 (“SGS”) customers that move to the large general service (“LGS”)
13 class resulting in double-recovery for the usage from these rate
14 switchers.

15 **Q. Why is it a concern that all usage is charged/credited the RNA?**

16 A. The RNA rider amount is based on the change in usage in a second block and
17 assumes weather and conservation only impacts the usage of the second block.
18 However, after the RNA rate is calculated, it is applied to all usage, regardless of
19 what block the usage falls in. This results in customers with low usage, i.e. non-
20 weather sensitive customers with little room for conservation, being charged more
21 because other customers were more weather-sensitive or conserved energy.

22 **Q. Could there be a modification to the RNA to account for this?**

23 A. Yes. The RNA rate could be modified to only be charged to the second block usage.

1 **Q. How would Spire receive revenue twice for a SGS customer that move to the**
2 **LGS class?**

3 A. There are always some large SGS customers that are on the edge of being LGS
4 customers. The usage of these customers are included in the normalized rate case
5 block usage in the rate case. If one of these customers move to the LGS class, then
6 Spire would receive the revenues from what the customer pays in the LGS class
7 and the other SGS customers would make up the revenues now missing from the
8 SGS class. Thus, Spire would be getting revenues twice for this customer.

9 **Q. Could there be a modification to the RNA to account for this?**

10 A. Yes. The normalized Rate Case Block Usage used in the calculation of the RNA
11 rate could be adjusted for the removal of the annual usage of any customer that has
12 switched to the LGS class each year.

13 **Rebuttal of Spire Witness Wesley E. Selinger Regarding the RNA**

14 **Q. Does Spire currently have a WNAR or a RNA?**

15 A. Currently Spire has a Commission-approved WNAR. In this case, Spire is asking
16 its WNAR to be discontinued and replaced with a RNA.

17 **Q. Is the RNA Spire is proposing a modification of its current WNAR?**

18 A. No. It is a completely different mechanism.

19 **Q. Would you summarize your understanding of why Spire did not ask for a**
20 **continuation or modification of its WNAR?**

21 A. Spire provides very little testimony regarding why it is dissatisfied with the WNAR
22 and is instead asking for a RNA. In his direct testimony, Spire witness Selinger
23 basically states two reasons why Spire does not want to continue with the WNAR:

- 24 1. Issues and anomalies; and
25 2. The WNAR does not directly address conservation.

1 **Q. Does the current WNAR or the modified WNAR you propose in your direct**
2 **testimony directly address conservation?**

3 A. No. However, as I explained in my direct testimony, it does reflect some
4 conservation.

5 **Q. Does the RNA proposed by Spire directly address conservation?**

6 A. No. It does not directly address either conservation or weather. It only addresses
7 the difference between rate case revenue requirement and the revenue actually
8 collected.

9 **Q. In your reading of § 386.266, is it essential that the WNAR address revenue**
10 **effects caused by conservation?**

11 A. While I am not an attorney, my reading of § 386.266.6 is that it allows the
12 Commission to approve a mechanism that reflects changes in revenues due to
13 variations in *either* weather, conservation, or both. It is not essential that the
14 WNAR reflect the effect on revenue of conservation. The way I read the statute,
15 the Commission can approve a mechanism that reflects the impact on revenue of
16 just weather, just conservation, or both.

17 **Q. Did Mr. Selinger describe the “issues” that Spire has with the WNAR in his**
18 **testimony?**

19 A. No. He merely mentioned that Spire had issues with the WNAR. To find out what
20 these issues were, I requested a detailed description of these issues in OPC data
21 request 8000.

22 **Q. What was Spire’s response?**

23 A. Spire responded⁹ that one issue was that the WNAR was more complicated than it
24 needed to be. According to Spire, the “complications” included having to update

⁹ Spire’s response with its description of the issues is attached as Schedule LMM-R-1 to this testimony.

1 the WNAR semi-annually and the fact that there are four separate rate components.
2 Spire also sees that having to calculate the weather adjustments by billing cycle,
3 the use of ranked degree days, and requiring an unbilled calculation as making this
4 mechanism complicated. Finally, according to Spire the mechanism did not provide
5 as close a correlation to volumetric variances as it wanted the mechanism to do.

6 **Q. First of all, is a simple mechanism better than a complex mechanism?**

7 A. Typically, simple is better than complex. However, if the objective is to account
8 for fluctuations in revenue due to weather as stated in § 386.266.3, then complex is
9 more accurate and therefore better than simple.

10 Even so, changes can be made to Spire's current WNAR that would make
11 it simpler such as annual filings instead of semi-annual filings and annual recovery
12 periods. In my direct testimony, I proposed modifications to Spire's WNAR that
13 make it simpler and easier to understand.

14 In addition, I proposed, in my Class Cost-of-Service direct testimony, a
15 different way to present the rate calculation that, along with annual filings,
16 eliminates the need for four different rate components.

17 **Q. Can the billing cycle analysis and ranked degree days that Spire said**
18 **complicates the WNAR be simplified?**

19 A. No. Billing cycle analysis and using ranked degree days cannot be simplified
20 without sacrificing accuracy. Billing cycle analysis is necessary to match the
21 correct weather to the usage. Ranking degree days to assign normal weather results
22 in as little weather adjustment for each billing cycle as possible.

1 **Q. Would you provide further explanation of why billing cycle analysis is**
2 **necessary?**

3 A. Schedule LMM-R-2 shows a graphical representation of the difference between a
4 billing month and a calendar month. Spire has 18 billing cycles. The dates the
5 meters are read are different for each billing cycle.

6 Spire East’s actual read dates for the billing month of December 2019 are
7 shown in Schedule LMM-R-2. Billing cycle 1 is read on December 1. The
8 December billing month usage for billing cycle 1 is the sum of usage from October
9 31 through November 30. It is considered the December billing month because it
10 is read on December 1 even though *none* of the usage in the billing cycle actually
11 occurred in the December calendar month. Weather that occurred from October 31
12 through November 30 impacted the usage for the December billing month for
13 billing cycle 1. It was colder than normal during this time period with an actual
14 heating degree days (“HDD”) of 729 with the normal HDD for that same time
15 period being 574¹⁰ signifying that, over this December billing cycle, the weather
16 was colder than normal.

17 The last billing cycle is read on December 29. The December billing month
18 usage for billing cycle 18 is the sum of the usage from November 27 through
19 December 29. The usage in this billing cycle was impacted by weather that
20 occurred from November 27 through December 28. It was warmer than normal for
21 billing cycle 18 with actual HDD of 823 and normal HDD of 902.

22 To properly account for the weather that influenced billing cycle 1 and 18,
23 actual and normal weather from two different time series must be matched to the
24 usage. The actual weather for the December calendar month of 783 HDD and
25 normal of 900 HDD would not explain the usage in billing cycle 1 since all of the
26 natural gas in that billing cycle was used prior to the December calendar month.

¹⁰ Actual and normal HDD are shown at the right of the table for each billing cycle as the sum of the daily actual and normal degree days shown at the bottom of the table.

1 Using the December calendar month weather cannot even explain the usage in
2 billing cycle 18 since it includes five days of November weather and does not
3 include three days of the December calendar month weather.

4 The actual and normal HDD for each billing cycle is shown numerically
5 and graphically on Schedule LMM-R-2, along with the December calendar month
6 actual and normal HDD. I have provided the actual and normal HDD for billing
7 cycles 1 and 18, and the December calendar months below.

	Heating Degree Days (“HDD”)		
	Actual	Normal	Difference
Billing Cycle 1	729	574	-155
Billing Cycle 18	823	902	79
December Calendar	783	900	117

8
9 The negative difference for billing cycle 1 represents that for the time period of this
10 billing cycle, which was mostly November, the weather was colder than normal.
11 The positive difference for the December calendar month indicates that, for the time
12 period of December 1, 2019, through December 31, 2019, the weather was warmer
13 than normal. This shows that the weather in the December calendar month is not
14 representative of the weather for billing cycle 1 or any of the other billing cycles.
15 Therefore, to accurately reflect the relationship between usage and weather, the
16 analysis must be done on a billing cycle basis. A simple method of comparing
17 billing month usage to calendar weather would be grossly inaccurate.

18 **Q. Is this matching of weather to billing cycle complicated?**

19 A. It should not be. Computer programs can be written that quickly do the matching
20 of actual and normal heating degree days to each billing cycle. This should have
21 already been done with Spire’s current WNAR.

1 **Q. What is Spire referring to when it uses the term “ranked degree days?”**

2 A. Spire is referring to the Staff’s methodology that calculates 365 normal degree days
3 values and assigns the values to the days of the year. I have attached as Schedule
4 LMM-R-3, the direct testimony in Case GO-2019-0058 of Staff witness Dr. Seoung
5 Joun Won describing how normal degreed days are calculated and the importance
6 of the assignment of the 365 normal degree days to the correct day. The
7 Commission found in Case GO-2019-0058:

8 Staff’s ranking method reduces the daily variations between actual
9 and normal gas usage when it aligns billing cycles within the billing
10 month with those in the rate case. Reducing the daily variation
11 between actual and normal gas usage captured in the WNAR under
12 Staff’s ranking method reduces the financial impact to customers.
13 (footnote omitted)

14 In this case, GO-2019-0058, the Commission recognized the importance of the
15 ranked normal process of the Staff in calculating weather normalization
16 adjustments when it ordered Spire to file tariff sheets based on Staff’s ranked
17 method for determining daily normal weather.¹¹

18 **Q. Is the determination of the ranked normal heating degree days a complicated
19 process?**

20 A. No. The 365 normal heating degree days (“HDD”) will be determined in this rate
21 case. With an annual filing, the normal weather values would only have to be
22 assigned to the days once a year. With the current WNAR, a computer program
23 should have already been developed to do this assignment of weather to the days.

24 **Q. Spire also stated that the WNAR required an unbilled calculation that made
25 the mechanism complicated. What is an unbilled calculation?**

26 A. As previously described, a billing month contains usage from 18 billing cycles with
27 usage spread across two or three calendar months. All utilities do an unbilled

¹¹ GO-2019-0058, *Report and Order*, page 13.

1 calculation to estimate calendar month usage and revenues. When looking at my
2 Schedule LMM-R-2, the top right shaded triangle is the “unbilled” portion of
3 December. There are various ways of estimating this unbilled usage but the one
4 common aspect of these methods are that they are all estimates.

5 Part of determining calendar usage is the allocation of the billing cycle
6 usage of the December billing month between November and December. The
7 simplest way to allocated between the months is to calculate a simple daily average
8 usage for each billing cycle and allocate the appropriate number of days to each
9 month. More complicated methods would incorporate weather in allocating
10 between the months. Even though the utility has measured usage for the billing
11 month, the process of allocating known usage between calendar months is also an
12 estimate.

13 As long as usage for a time period different from the calendar month has
14 existed, there has been a need for this type of analysis to determine calendar month
15 usage and revenues. The estimation process can be simple or complicated and
16 occurs whether a WNAR exists or not.

17 **Q. Is this process necessary for the WNAR?**

18 A. No, it is not. The WNAR is calculated based on billing cycles and billing months.
19 Any unbilled calculation is merely done for internal Spire processes and was done
20 prior to the WNAR and will continue even if there is a RNA.

21 **Q. The other issue identified was that the mechanism did not provide as close a
22 correlation to volumetric variances as Spire anticipated. Can you explain?**

23 A. I sent several data request to Spire to try to understand what this meant. The best
24 explanation that I received was in Spire’s response to OPC data request 8000.3,
25 where it stated:

26 The mechanics of how the WNAR mechanism works *does not*
27 *anchor the calculation to any defined set of billing determinants* but

1 instead is calculated by billing cycle, using ranked degree days, and
2 an unbilled calculation. (emphasis added)

3 **Q. What is your understanding of this answer?**

4 A. Basically, Spire expected that the WNAR would result in it receiving the residential
5 class rate revenues set in the rate case. When it did not result in the normalized
6 revenues from the rate case, then it is Spire’s belief that there is something wrong
7 with the WNAR.

8 **Q. Do you agree that there is something wrong with the WNAR when it does not
9 result in revenues as set in the last rate case?**

10 A. No. Its design purpose is not to result in the billing determinants that were set in
11 the last rate case. In fact, the Commission in its Report and Order approving the
12 WNAR realized that there would be some variances when stated that annual natural
13 gas usage was 95% correlated with annual HDD.¹² It is unrealistic to expect the
14 WNAR to result in the billing determinants in the last rate case.

15 **Q. Did Spire provide any measurements of the volumetric variances that caused
16 it concern?**

17 A. No. However, it did provide the following variances in the revenues as compared
18 to its budget.

19 **

20 **

¹² GR-2017-0215, *Report and Order*, page 83.

1 **Q. Given just the numbers in this table, what is your conclusion?**

2 A. Given the limited information in this table, I conclude that the WNAR is giving
3 consistent results across these two years. The difference between the WNAR
4 adjusted revenues is 0.13% for Spire East and 0.68% for Spire West.

5 The real issue for Spire is that the WNAR Adjusted amount is not the same
6 as its Budget. As shown in the table above, the WNAR adjusted amount is lower
7 than the budgeted amount.

8 **Q. Does this imply that there is a problem with the WNAR?**

9 A. No. Since the WNAR was almost the same for both of these two years, I would
10 say, given the limited information in this table, that the problem may lie with the
11 budget, not the WNAR.

12 **Q. Spire witness Selinger states that the WNAR caused anomalies opposite of the
13 mechanism's intended purpose such as warmer than normal temperatures
14 resulting in Spire refunding revenues.¹³ Should this concern the Commission?**

15 A. No. Data request responses provided to OPC data requests revealed that these
16 "anomalies" were instances where the billing month weather adjustment was
17 different than the adjustment that would be made using calendar month weather as
18 previously shown in this testimony. Spire stated in response to OPC data request
19 8001:

20 When performing the WNAR calculation for the month in question
21 (December 2019), the mechanics of the WNAR mechanism created
22 a situation where the Company was in a give-back position, even
23 though the weather that month was warmer than normal.

24 The "WNAR calculation" referred to was a December *billing* month calculation.

25 The "weather that month" was the weather for the *calendar* month. As described
26 above, the weather for the billing month was different than the calendar month

¹³ Direct testimony of Spire Witness Wesley E. Selinger, page 28.

1 which created what Mr. Selinger labeled an “anomaly.” The billing month weather
2 will always be different from the calendar month weather. In this instance, the
3 difference resulted in a give-back position because of extreme weather that
4 occurred in late November that was not reflected in the December calendar month
5 weather measures but was in the December billing month.

6 **Q. Should these “issues” and “anomalies” provided by Spire adequate reasons to**
7 **replace the WNAR with a RNA?**

8 A. No. The calculation of the WNAR takes little effort and time. What Spire sees as
9 “issues” are not a reason to shift from a mechanism that accounts for fluctuations
10 of revenue due to weather and, in part, due to conservation to a mechanism that
11 does not explicitly take into account either weather or conservation.

12 What Spire labels an “anomaly” is not truly an anomaly or a failure of the
13 WNAR. The failure to understand the difference between billing months and
14 calendar month weather is not a reason for the Commission to end the WNAR.

15 In addition, the consistency in the WNAR revenues provides that the
16 WNAR is working as the Commission intended when it approved it in the last rate
17 case.

18 **Staff Alternative RNA Witnesses Sarah L.K. Lange and Michael L. Stahlman**

19 **Q. What rationale did Staff provide for switching from the WNAR to a RNA?**

20 A. The only rational Staff gives is it that it believes that the WNAR is limited to
21 fluctuations in weather only.¹⁴

¹⁴ Staff Report, Class Cost of Service, page 38.

1 **Q. Does the mechanism approved by the Commission have to account for weather**
2 **fluctuations and all conservation efforts?**

3 A. No. As I have previously testified, § 386.266.3 says a gas corporation can apply
4 for a mechanism that accounts for fluctuations in either weather, conservation, *or*
5 both.

6 **Q. Did Staff provide an explanation for why it was necessary for Spire to be**
7 **insulated from the impacts of conservation?**

8 A. No, it did not.

9 **Q. Did Staff testify that there were any problems with the operation of Spire’s**
10 **WNAR?**

11 A. No, it did not. However, it did bring up issues that occurred with another
12 company’s WNAR when a third party failed to record daily temperatures.¹⁵

13 **Q. How likely is it that a third party would fail to record the daily temperatures**
14 **used by Spire East and Spire West?**

15 A. Very unlikely. Spire East uses weather recorded at the St. Louis Lambert
16 International Airport Weather Station and Spire West uses weather recorded at the
17 Kansas City International Airport Weather Station.

18 **Q. Does Staff say that it has an issue with using ranked normals?**

19 A. While it does bring up that there has been issues with ranking of weather,¹⁶ it does
20 not say that Staff has an issue with the ranked normals. In fact, it has used ranked
21 normals since the 1990s and defended the use of ranked normals recently in Spire’s
22 WNAR in case GO-2019-0058.

¹⁵ *Id.*, pg. 39.

¹⁶ *Id.*

1 **Q. What are differences between Staff’s proposed RNA and Spire’s proposed**
2 **RNA?**

3 A. I have not conducted an exhaustive review. However, the most notable is that Staff
4 and Spire have different block breaks for the beginning of the second block of usage
5 for the residential class and a range of usage for the SGS class.

6 **Q. What block breaks is Staff proposing and how were the breaks determined?**

7 A. After its review of customer usage data specific to Spire, Staff is proposing a block
8 breakpoint of 50 Ccf for the residential class and a beginning block break of 200
9 and an ending block break of 500 Ccf for the small general service class.¹⁷ Staff
10 looked at the number and percentage of customers for Spire West and Spire East
11 that had usage at or below increments of 10 Ccfs and therms for the residential and
12 increments of 100 Ccf and therms for SGS customers. From its review of this
13 information, Staff is proposing the 50 Ccf block break for residential customers and
14 the RNA be calculated using the usage between 201 and 500 Ccf for SGS
15 customers.

16 **Q. What block breaks is Spire proposing and how were the breaks determined?**

17 A. Spire recommends block breaks of 30 Ccf for the residential class and 100 Ccf for
18 the SGS class with no upper limit. Spire did not provide testimony on how it came
19 up with these block breaks. In response to OPC’s data request 8004 for a detailed
20 explanation of how these block breaks were determined, Spire stated:

21 Prior to its last rate case, Spire Missouri’s Eastern service territory
22 employed a weather-mitigated rate design for Residential customers
23 with a block break point at 30 therms. The Company does not
24 believe circumstances have changed since that case to a degree that
25 would make this block break point no longer appropriate. As the
26 proposed mechanism is designed to address variations in usage due
27 to weather and conservation pursuant to Missouri Revised Statute

¹⁷ *Id.*, pages 40-42. While the Staff report states 300 to 500 Ccfs, the table shows usage from 201 Ccf through 500 Ccf. It was confirmed in conversations with Sarah Lange of Staff that this was Staff’s intent.

1 386.266 (3), the Company feels this is the appropriate block break
2 point for the proposed mechanism. In addition, Missouri regulatory
3 stakeholders approved a similar mechanism for Ameren Missouri, a
4 Missouri gas utility situated similarly to Spire’s East and West
5 service territories, in Case No. GR-2019-0077. Spire relied on this
6 prior case guidance in designing the proposed RNA block break for
7 its SGS class.

8 **Q. What would be the impact of using a block break of 50 Ccf as proposed by**
9 **Staff instead of Spire’s 30 Ccf block break?**

10 A. The revenue requirement that would be guaranteed is smaller the higher the block
11 break. Therefore, Spire would be guaranteed less revenue if the 50 Ccf block is
12 used.

13 **Q. What would be the impact of only including the usage between 200 and 500**
14 **Ccf of the SGS class as Staff proposed over using a block break of 100 Ccf**
15 **recommended by Spire?**

16 A. Using Staff’s block of 200 Ccf through 500 Ccf would guarantee less revenue than
17 Spire’s proposed block break of 100 Ccf with no upper limit. Staff’s segment of
18 usage would also result in less double recovery of revenues for customers that
19 switch rates.

20 **Q. Would you summarize your rebuttal testimony regarding a rate mechanism to**
21 **account for fluctuations in revenues due to either weather, conservation, or**
22 **both?**

23 A. The Commission decision in case GR-2017-0214 found that in that case:¹⁸

24 Spire Missouri has not provided evidence that the RSM it proposed
25 is needed for either revenue recovery (Spire Missouri has had no
26 difficulty in meeting its revenue requirement) or to incentivize
27 conservation. Further, the RSM as proposed by Spire Missouri is not
28 consistent with the statutory requirements that allow the
29 Commission to approve a mechanism for adjusting rates outside of
30 a general rate proceeding “to reflect the non-gas revenue effects of

¹⁸ Report and Order, page 83.

1 increases or decreases in residential and commercial customer usage
2 due to variations in either weather, conservation, or both” because it
3 would adjust rates for all changes in average customer use, not only
4 due to variations in weather and/or conservation.

5 In this case Spire, once again, does not justify why the Commission should approve
6 an interim rate mechanism that accounts for weather or conservation. It currently
7 has a mechanism that accounts for fluctuations in weather and some conservation
8 but it wants to go further, again without justification, asking for a mechanism that
9 assures that it will receive a set amount of revenue from its residential and small
10 general service customers.

11 Staff does not justify why a mechanism is necessary or why the current
12 mechanism should be discarded. Its proposal leaves some risk on Spire but still
13 guarantees Spire revenue. Its recommended mechanism would recover or return all
14 changes in revenue regardless of what cause the change. It does not limit the cause
15 of the change of revenues to weather and conservation as allowed by statute.

16 For these reasons, the Commission should not approve a RNA for Spire. If
17 the Commission believes a mechanism accounting for weather and some
18 conservation is necessary for Spire, it should approve the WNAR I recommended
19 in my direct testimony.

20
21 **Concluding Summary**

22 **Q. Would you summarize your rebuttal testimony?**

23 A. The Commission should not approve Spire’s proposed tariff sheet language
24 regarding free extension of service to customers at the discretion of Spire.

25 Spire should provide for inclusion in its tariff sheets an accurate description
26 of the current process for estimating usage rather than including a description of the
27 information that information that is used to estimate usage.

28 Until Commission rules are effective, the Commission should not approve
29 the voluntary customer program proposed by Spire where customers can pay more

1 with the expectation that the funds will be used to purchase RNG for their
2 consumption. As required by recently passed legislation, Commission rules should
3 be adopted prior to the offering of such a program through Spire.

4 Because of the high incremental cost of RNG over traditional gas supply,
5 the Commission should not allow Spire to procure up to 5% of its gas supply from
6 renewable sources. Spire has not provided information on the availability or
7 potential cost impact of the Commission allowing up to 5% of its supply to be RNG.
8 By allowing the cost to be passed through the PGA, the Commission would be
9 increasing the cost risk to customers with no impact on Spire.

10 Finally, the Commission should not approve any rate adjustment
11 mechanism that has been proposed to account for fluctuations in weather and
12 conservation for Spire because it has not provided any testimony showing a need
13 for such a mechanism or why the Commission should approve a mechanism.

14 **Q. Does this conclude your rebuttal testimony?**

15 **A.** Yes, it does.