

*Exhibit No.:*  
*Issue(s):* Insurance Expense,  
Capitalized Depreciation,  
Rents and Leases,  
Incentive Compensation  
*Witness:* Paul K. Amenthor  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* GR-2022-0179  
*Date Testimony Prepared:* October 7, 2022

**MISSOURI PUBLIC SERVICE COMMISSION**

**FINANCIAL AND BUSINESS DIVISION**

**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**

**OF**

**PAUL K. AMENTHOR**

**SPIRE MISSOURI, INC., d/b/a SPIRE**

**CASE NO. GR-2022-0179**

*Jefferson City, Missouri*  
*October 2022*

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **PAUL K. AMENTHOR**

4 **SPIRE MISSOURI, INC., d/b/a Spire**

5 **CASE NO. GR-2022-0179**

6 A. My name is Paul K. Amenthor, 111 N. 7th Street, Suite 105, St Louis, MO 63101.

7 Q. By whom are you employed and in what capacity?

8 A. I am employed by the Missouri Public Service Commission (“Commission”) as  
9 a Senior Regulatory Auditor.

10 Q. Are you the same Paul K. Amenthor that filed direct testimony in this case on  
11 August 31, 2022?

12 A. Yes.

13 Q. What is the purpose of your rebuttal testimony?

14 A. The purpose of my rebuttal testimony is to provide corrections to certain issues  
15 in my direct testimony and to provide a response to Office of Public Counsel’s witnesses  
16 Cassidy Weathers and Jordan Seaver concerning incentive compensation.

17 **CAPITALIZED DEPRECIATION**

18 Q. What is Staff’s correction to its capitalized depreciation calculation?

19 A. The correction pertains only to Spire Missouri West. When calculating the  
20 annualized amount for account 392200 (Transportation Equipment-Trucks), Staff mistakenly  
21 used the depreciation amount for 392100 (Transportation Equipment-Automobiles) instead.  
22 Staff has corrected this error to its capitalized depreciation calculation for Spire West and the  
23 correct amount is reflected in Staff’s rebuttal accounting schedules.

1 **INSURANCE EXPENSE**

2 Q. Please explain Staff's correction to insurance expense.

3 A. When calculating the insurance expense adjustment for account 925, Staff  
4 applied the O&M percentage to the annualized premium amount before adjusting it against the  
5 amended test year amount, which did not have the O&M percentage applied to it. By doing so,  
6 Staff compared the net O&M amount against the pre-O&M amount and as a consequence, the  
7 adjustment to account 925 was incorrect.

8 Q. Please explain Staff's new adjustment to account 925.

9 A. Staff applied the O&M rate to the difference between the new insurance  
10 premium and the amended test year amount. The corrected amount for insurance expense is  
11 reflected in Staff's rebuttal accounting schedules.

12 **RENTS AND LEASES**

13 Q. Please explain Staff's correction to its rents and leases adjustments.

14 A. This issue pertains to the \*\* [REDACTED] \*\* lease for Spire Missouri East,  
15 which terminated on June 30, 2022. Staff removed this lease as part of its direct case, even  
16 though the lease ended after the update period. Staff proposed an adjustment to include the lease  
17 in its accounting schedules filed with Staff's rebuttal testimony. Staff will eliminate the lease  
18 during the true up phase of this case.

19 Q. Why is Staff correcting this adjustment now if Staff intends to remove the lease  
20 during the true-up?

21 A. It is very important that Staff abides by the matching principle, which requires  
22 that the relationship between revenues, expenses and rate base at any given period must be  
23 maintained throughout the test year, update and true-up period in the rate case process.

1 **INCENTIVE COMPENSATION**

2 Q. Please describe Spire Missouri's incentive compensation plan.

3 A. Spire Missouri has short term and long-term incentive compensation plans.  
4 The short-term incentive compensation plan (also known as the Annual Incentive Plan)  
5 provides an annual payout to eligible union and non-union employees and is based on four  
6 components: corporate, business, individual and team performance. These components are  
7 based on different metrics: call handle time, call abandonment rate, leak response time, safety,  
8 net economic earnings per share, etc... The long-term incentive compensation plan (also known  
9 as the Equity Incentive Plan) is based on earnings per share and stocks.

10 Q. Generally, has the Commission has disallowed incentive compensation related  
11 to earnings-based metrics?

12 A. Yes. In Case No. GR-2004-0209, the Commission stated in its Report and Order  
13 on page 43;

14 The Commission agrees with Staff and Public Counsel that the financial  
15 incentive portions of the incentive compensation plan should not be  
16 recovered in rates. Those financial incentives seek to reward the  
17 company's employees for making their best efforts to improve the  
18 company's bottom line. Improvements to the company's bottom line  
19 chiefly benefit the company's shareholders, not its ratepayers. Indeed,  
20 some actions that might benefit a company's bottom line, such as a large  
21 rate increase, or the elimination of customer service personnel, might  
22 have an adverse effect on ratepayers. If the company wants to have an  
23 incentive compensation plan that rewards its employees for achieving  
24 financial goals that chiefly benefit shareholders, it is welcome to do so.  
25 However, the shareholders that benefit from that plan should pay the  
26 costs of that plan. The portion of the incentive compensation plan  
27 relating to the company's financial goals will be excluded from the  
28 company's cost of service revenue requirement.

29 Q. What is OPC's position concerning incentive compensation?

30 A. OPC witnesses Cassidy Weathers and Jordan Seaver have conflicting positions  
31 in regard to the treatment of incentive compensation.

1 Q. Please explain the conflicting positions.

2 A. Mr. Jordan Seaver is proposing a disallowance of the total annual  
3 incentive amount included in Spire Missouri's last rate case (GR-2021-0108) while,  
4 Ms. Cassidy Weathers is recommending a normalization of incentive compensation over  
5 the expected duration of the rates set in the current case or three years due to Spire  
6 Missouri's current infrastructure system replacement surcharge (ISRS) statute.

7 Q. Does Staff agree with OPC witness Jordan Seaver's position to disallow the total  
8 annual incentive amount?

9 A. No. Generally, Staff allows costs associated incentive compensation plans  
10 with metrics that focus on providing safe and adequate service to customers (safety, leak  
11 response time, average call handle time, call abandonment rate etc...) but disallows costs  
12 associated with incentive plans that center on financial benefits to shareholders (such as  
13 earnings per share). Historically, the Commission has disallowed incentive plans that  
14 benefit only shareholders<sup>1</sup>. Specifically, incentive compensation plans, which Mr. Seaver  
15 referenced was an issue in Spire Missouri's last rate case and the Commission rendered its  
16 decision in favor of including the incentive compensation that Mr. Seaver wants to disallow in  
17 the current case.<sup>2</sup>

18 Q. Does Staff agree with OPC witness Cassidy Weather's proposal to normalize  
19 incentive compensation?

20 A. No. It is not appropriate to attempt to normalize costs that may be driven by  
21 different criteria over time. It would be more appropriate to determine whether the criteria the

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<sup>1</sup> GR-2004-0209, Report and Order, September 21, 2004, p43; ER-2006-0314, Report and Order, December 21, 2006, p58; ER-2007-0291, Report and Order, December 6, 2007, p49.

<sup>2</sup> GR-2021-0108, Report Order, October 21, 2021 p34.

1 costs are based upon are appropriate to include in customer rates. Utility companies review or  
2 change their incentive compensation plans as they see fit. For example, Spire Missouri, in  
3 fall 2018, conducted a detailed review of the company's annual incentive program design  
4 and during the review; the decision was made to replace the previous business metric with  
5 two new metrics. Since the underlying metrics of incentive compensation plans change  
6 periodically, Staff believes a case-by-case examination of the cost for possible disallowance  
7 would be more appropriate.

8 Q. Please explain why Staff did not propose an adjustment to incentive  
9 compensation.

10 A. Staff did not propose an adjustment to the incentive compensation  
11 amended test year amount as Spire Missouri's response to Staff data request number 60 states  
12 that no new incentive plans have been implemented since January 1, 2021. Consequently,  
13 changes to incentive compensation have already been reflected in the amended test year  
14 and the Commission approved these amounts in its Amended Report & Order in case no.  
15 GR-2021-0108.

16 Q. Does this conclude your rebuttal testimony?

17 A. Yes it does.

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

In the Matter of Spire Missouri, Inc.                    )  
d/b/a Spire's Request for Authority to                )  
Implement a General Rate Increase for                )  
Natural Gas Service Provided in the                    )  
Company's Missouri Service Areas                    )                    Case No. GR-2022-0179

**AFFIDAVIT OF PAUL K. AMENTHOR**

STATE OF MISSOURI        )  
  )  
COUNTY OF ST. LOUIS    )                    ss.

**COMES NOW PAUL K. AMENTHOR** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of Paul K. Amenthor*; and that the same is true and correct according to his best knowledge and belief.

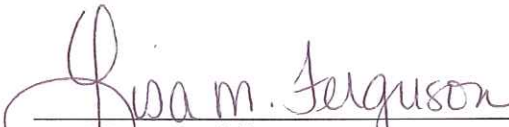
Further the Affiant sayeth not.

  
**PAUL K. AMENTHOR**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 5<sup>th</sup> day of October 2022.

LISA M. FERGUSON Notary Public - Notary Seal State of Missouri Commissioned for St. Louis County My Commission Expires: June 23, 2024 Commission Number: 16631502
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Notary Public