

Exhibit No.:

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Customer Advances, Customer
Deposit, Insurance Expense,
Line Locates, Fuel Expense,
Injuries and Damages, Insurance
Expense, Materials and Supplies,
Plant in Service and Depreciation
Reserve, Rents and Leases
Expenses, Capitalized O&M
Depreciation, Insulation
Financing/Energy Wise,
Natural Gas Inventory*

Witness: Paul K. Amenthor

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: GR-2022-0179

Date Testimony Prepared: August 31, 2022

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

Revenue Requirement

OF

PAUL K. AMENTHOR

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

CASE NO. GR-2022-0179

Jefferson City, Missouri

August 2022

**TABLE OF CONTENTS OF
DIRECT TESTIMONY OF
PAUL K. AMENTHOR
SPIRE MISSOURI, INC., d/b/a Spire
CASE NO. GR-2022-0179**

1

2

3

4

5

6 **CUSTOMER DEPOSITS1**

7 **CUSTOMER ADVANCES2**

8 **PREPAYMENTS3**

9 **PSC ASSESSMENT4**

10 **MATERIALS AND SUPPLIES5**

11 **LINE LOCATE COSTS.....5**

12 **NATURAL GAS INVENTORIES5**

13 **INSURANCE EXPENSE6**

14 **CAPITALIZED DEPRECIATION EXPENSE7**

15 **PLANT IN SERVICE.....8**

16 **ACCUMULATED DEPRECIATION RESERVE8**

17 **RENT AND LEASE EXPENSE9**

18 **INJURIES AND DAMAGES.....10**

19 **INSULATION FINANCING AND ENERGY WISE PROGRAMS10**

1 **DIRECT TESTIMONY OF**

2 **PAUL K. AMENTHOR**

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

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

5 Q. Please state your name and business address.

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” or
9 “MoPSC”) as a Senior Regulatory Auditor.

10 Q. Please describe your educational background.

11 A. I graduated from Southern Illinois University Edwardsville in December 2016
12 with a Bachelor’s degree in Accounting.

13 Q. Have you previously filed testimony before this Commission?

14 A. Yes. Please refer to Schedule PKA-d1, attached to this direct testimony, for a
15 list of cases in which I have previously filed testimony.

16 Q. What is the purpose of your direct testimony?

17 A. The purpose of my direct testimony is to provide a detailed explanation for
18 adjustments proposed to Spire Missouri’s amended test year and recommendations in regard to
19 certain rate base items included in the revenue requirement in this case.

20 **CUSTOMER DEPOSITS**

21 Q. What are customer deposits?

22 A. Customer deposits generally represent funds collected from customers as
23 security against potential losses that may arise from failure to pay for service they have

1 received. Since these funds are generally supplied by the customer and available for utility use,
2 a reasonable level is deducted from the utility's rate base to ensure that the company does not
3 earn a return on the customer deposit.

4 Q. Is Spire East and Spire West required to return the deposits back to customers?

5 A. Yes, after 12-months of successful consecutive payments, Spire East and West
6 is required by Commission rule to return the funds to the customer plus accrued interest.

7 Q. Is accrued interest also included in the cost of service calculation?

8 A. Yes, since Spire East and Spire West are required to refund the customer deposit
9 with interest, a reasonable level of interest is included in the cost of service.

10 Q. How is the interest on these deposits calculated?

11 A. In accordance with Spire East and Spire West's tariff, interest on deposits shall
12 be paid at the per annum rate equal to the prime bank lending rate plus one percentage point as
13 published in the Wall Street Journal for the last business day of the preceding calendar year
14 (3.25% as of 12/31/2021) plus 1% for a total of 4.25%. Staff applied 4.25% to its recommended
15 customer deposits balance in this case. Staff will update customer deposits and re-adjust interest
16 on deposits accordingly as part of its true-up audit, September 30, 2022.

17 Q. What is the level of customer deposits Staff recommended?

18 A. Staff included a 13-month average of customer deposits ending May 31, 2022
19 in rate base. Similarly, the interest expense amount calculated on customer deposits has also
20 been included as an adjustment to the income statement.

21 **CUSTOMER ADVANCES**

22 Q. What are customer advances?

1 A. Customer advances are funds typically received from construction developers
2 by Spire East and West to build gas infrastructure in a newly constructed division. The
3 developers invest a significant amount in these construction projects so the contracts allow them
4 to request a refund as additional customers are served by the new infrastructure.

5 Customer advances are also funds received from new customers to aid in the cost of
6 construction necessary to connect them to the system. Unlike customer deposits, Customer
7 advances are not refundable nor do they earn interest; as such, these funds represent interest
8 free money for the company and therefore are included as a reduction, or offset to rate base.

9 Q. What is Staff recommendation for Customer Advances?

10 A. Staff has included 13-month average of customer advances account balances
11 ending May 31, 2022 as an offset to rate base. Staff will update customer advances as part of
12 its true-up audit, September 30, 2022.

13 **PREPAYMENTS**

14 Q. What are prepayments?

15 A. Prepayments are payments for which currencies are exchanged in advance of
16 the period to which the payments apply, and are often made for insurance, rent, employee
17 benefit costs, and maintenance agreements. For instance, Spire East and Spire West prepay
18 insurance, rents, maintenance agreements and some miscellaneous costs, and since Spire East
19 and Spire West are required to provide upfront funding for these expenses, it is appropriate to
20 include them in rate base.

21 Q. Has Staff proposed any adjustments to prepayments?

22 A. Yes. Spire Missouri prepays items like MEDA (Missouri Energy Development
23 Association) dues, regional economic development dues, civic council dues, American Gas

1 Association dues, St. Louis Cardinals and Kansas City Chiefs season tickets, Munny season
2 tickets, PSC annual assessment fees, and executive life insurance. Staff made an adjustment to
3 exclude these costs from prepayment balances.

4 Q. Why did Staff exclude these costs from prepayment balances?

5 A. Many of these items are not includable in rates and for those that are, there is no
6 need to prepay the item, and therefore does not require a rate base treatment for the utility to
7 earn a return on it.

8 Q. What is the level of prepayments Staff proposed?

9 A. Staff proposed to include in rate base for Spire East and West a 13-month
10 average of prepayments balances, modified for the items above, as of May 31, 2022. Staff will
11 update prepayments as part of its true-up, September 30, 2022.

12 **PSC ASSESSMENT**

13 Q. Please describe PSC Assessment.

14 A. The MoPSC assessment is an amount billed to all regulated utilities operating
15 under the jurisdiction of the Commission. The assessment for each utility is re-evaluated each
16 year, and a new assessment amount is billed to each regulated utility on July 1.

17 Q. Please describe the adjustment Staff proposed to the PSC assessment.

18 A. Staff included in the revenue requirement the most current assessment value for
19 Spire East and West for fiscal year 2023, based on the information available from the
20 Commission's records. The adjustment represents the difference between the MoPSC
21 Assessment booked in Spire East and Spire West's amended test year and the most recent
22 MoPSC Assessment that is now in effect for Spire East and Spire West for the fiscal year 2023
23 starting July 1, 2022.

1 **MATERIALS AND SUPPLIES**

2 Q. Please explain materials and supplies.

3 A. Materials and supplies consist of spare parts, main repairs, gas piping, etc. These
4 items are kept in their inventories for daily operations such as construction, repair and
5 maintenance.

6 Q. What level of materials and supplies has Staff recommended?

7 A. To determine the most appropriate level of materials and supplies to include in
8 Spire East and Spire West's rate base going forward, Staff reviewed each individual accounts'
9 monthly balances over the last several years. Since the monthly balances fluctuate over time
10 without any upward or downward trend, staff included a 13-month average of materials and
11 supplies inventory ending May 31, 2022 in rate base. Staff will update materials and supplies
12 as part of its true-up audit, September 30, 2022.

13 **LINE LOCATE COSTS**

14 Q. What are Line Locate Costs?

15 A. Spire East and Spire West contract underground line locating service through a
16 third party, United States Infrastructure Corporation (USIC). The current locate contract is up
17 for renewal in October 2022 and ** [REDACTED]

18 [REDACTED]

19 [REDACTED] **.

20 **NATURAL GAS INVENTORIES**

21 Q. Describe Spire East and Spire West Natural Gas inventories.

22 A. Each summer season when natural gas demand is very low, Spire East and
23 Spire West purchase and store natural gas to meet its customers' needs during the winter season.

1 Spire East stores its natural gas on its owned Lange natural gas underground storage
2 field located north of St. Louis. The stored natural gas represents an investment for Spire East
3 and, therefore, is included in rate base where Spire Missouri has an opportunity to earn a return
4 on it.

5 Spire East also utilizes Mississippi River Transmission (MRT) as an additional source
6 of natural gas supply during the cold season. Spire West utilizes gas storage through the
7 Southern Star Central Gas Pipeline and the Panhandle Eastern Pipeline.

8 Q. What rate base treatment has Staff recommended for natural gas inventories for
9 Spire East and West?

10 A. Staff has reviewed all gas inventories for the period of September 2017 through
11 May 31, 2022 and has included a 13-month average ending May 31, 2022, as an appropriate
12 level of natural gas inventory to include in rate base. Staff has included Spire East's gas
13 inventories in rate base to be consistent with the Commission Order in Case No.
14 GR-2017-0215¹ and the ratemaking treatment for Spire West gas inventories. Staff has also
15 included Spire West's firm capacity for the Southern Star Central Gas Pipeline and the
16 Panhandle Eastern Pipeline². Staff will update natural gas inventories as part of its true-up audit,
17 September, 30, 2022.

18 **INSURANCE EXPENSE**

19 Q. What kind of insurance coverage does Spire East and Spire West have and what
20 has Staff included in the cost of service?

¹ Case No. GR-2017-0215, Amended Report and Order, page 65-68, filed on March 7, 2018.

² Firm Capacity is the amount of gas available for production or transmission which can be, and in many cases must be, guarantee to be available at a given time.

1 A. Insurance expense is the cost of protection obtained from third parties by utilities
2 against the risk of financial loss associated with unanticipated events or occurrences. Utilities,
3 like non-regulated entities, routinely incur insurance expense to minimize their liability, and
4 potentially that of their customers, associated with unanticipated losses. Spire Inc. carries the
5 insurance policies for Spire East and Spire West as well as for its other affiliates, the cost of
6 which is allocated to the affiliates. Spire Missouri's insurance consists of the following types
7 of coverage:

- 8 • Directors and Officers liability insurance
- 9 • Workers' compensation – which covers all employees
- 10 • General and Excess Liability – protects from all liability claims against the company
- 11 • Property – protects tangible property
- 12 • Fiduciary Liability - general coverage including theft, forgery, fraud, terrorism, etc.

13 Insurance premiums are paid in advance before the policy going into effect and most of the
14 insurance policies cover a twelve-month period. In sum, insurance costs are treated as
15 prepayments with the premiums recorded as an asset that is amortized to expense over the life
16 of the insurance policy.

17 Q. What level of insurance expense has Staff included in its cost of service?

18 A. Staff has calculated Spire East and Spire West's annualized insurance expense
19 by including the most current premium as of May 31, 2022 in the revenue requirement. Staff
20 will re-examine insurance expense as part of its true-up audit, September 30, 2022.

21 **CAPITALIZED DEPRECIATION EXPENSE**

22 Q. Please describe capitalized depreciation expense.

1 A. Spire East and Spire West utilize transportation and power operated equipment
2 to perform both maintenance and construction activities. Generally, a portion of the
3 depreciation calculated on this equipment should be capitalized and charged to the associated
4 capital construction project and eventually placed in plant in service. Spire East and Spire West
5 utilize assets in accounts 39200, 39600 and 396100 for both maintenance and capital projects.

6 Q. What adjustment did Staff propose for capitalized depreciation?

7 A. Staff has proposed an adjustment to annualize the expense portion of
8 depreciation for these accounts and remove from the annualized depreciation expense the
9 portion of that expense that has been used during construction or capital projects. Staff will re-
10 examine capitalized depreciation as part of its true-up audit, September 30, 2022.

11 **PLANT IN SERVICE**

12 Q. What did Staff include in the cost of service for plant-in-service?

13 A. The plant-in-service balances represent the direct and allocated plant additions,
14 retirements, and transfers of investment for Spire East and Spire West's gas operations. Staff
15 adjusted the amended test year plant balances, by account, to reflect the rate base amount of
16 Spire East and Spire West's plant in service through May 31, 2022 in its cost of service
17 calculation. Staff will update plant in service balances at true-up cutoff, September 30, 2022.

18 **ACCUMULATED DEPRECIATION RESERVE**

19 Q. What did Staff include in the cost of service for accumulated reserve?

20 A. The accumulated depreciation reserve balances represent the direct assigned and
21 allocated reserve amounts for Spire East and Spire West's gas operations. Staff adjusted the test
22 year balances by account, to reflect any changes in the reserve balances through May 31, 2022.

1 It is necessary for both Spire Missouri and Staff to make adjustments to the plant reserve
2 balances to account for retirement work in progress (RWIP). RWIP is retired plant that has not
3 yet been classified for certain components of depreciation, namely cost of removal and salvage.
4 While the actual plant is retired and removed from plant balances and the related reserve, the
5 plant has not been physically disassembled, so the cost of removal and salvage components of
6 depreciation are still included in the reserve. As a result, Spire East's and Spire West's books
7 overstate the reserve for this retired plant that is no longer serving utility customers. Because a
8 plant that is no longer being used for utility service is removed from rate base, it is also
9 necessary to make a corresponding adjustment to remove from the reserve balances the cost of
10 removal and salvage amounts for the retired plant. Staff included a line item in the accumulated
11 depreciation schedule, identifying the RWIP amount relating to this retired plant. Staff will
12 update accumulated depreciation reserve balances at true-up cutoff, September 30, 2022.

13 **RENT AND LEASE EXPENSE**

14 Q. Please describe Spire East and Spire West's rent and lease expenses and Staff's
15 proposed adjustment.

16 A. Spire East and Spire West incur rent and lease expense for various building and
17 equipment items that are necessary in its daily operations in the provision of safe and reliable
18 service to its customers. Several Spire affiliates, including Spire Missouri, are currently leasing
19 its corporate headquarters located at 700 and 800 Market Street in St. Louis, Missouri. The cost
20 of this lease is allocated between the various regulated and non-regulated entities of Spire Inc.
21 Staff annualized lease expenses based on the most current lease costs and removed any expiring
22 leases. Staff proposed adjustments to allocate a portion of corporate lease expense to Spire East

1 and Spire West based on the most current facility allocation factor. Staff will re-examine rent
2 and lease expenses as part of its true-up audit, September 30, 2022.

3 **INJURIES AND DAMAGES**

4 Q. Please describe injuries and damages expense and Staff's proposed adjustment.

5 A. Injuries and damages expense represents the cost of insurance claims and legal
6 claims against Spire Missouri that are not subject to reimbursement under the Company's
7 insurance policies. Generally, these claims are related to general liability, worker's
8 compensation and auto liability.

9 Q. Has Staff proposed an adjustment to injuries and damages expense?

10 A. Yes. Staff has adjusted injuries and damages to remove the remaining settlement
11 costs for certain litigation after insurance reimbursement that has occurred since last true-up
12 cutoff, May 31, 2021. Staff will re-examine injuries and damages expense as part of its true-up
13 audit, September 30, 2022.

14 **INSULATION FINANCING AND ENERGY WISE PROGRAMS**

15 Q. Please describe the Insulation Financing and Energy Wise Programs that Spire
16 Missouri East and West offers to its customers.

17 A. Spire Missouri offers an Insulation Financing Program that permits credit
18 qualifying residential customers to borrow funds for the purpose of insulating their homes and
19 making improvements such as adding storm windows and storm doors. The Energy Wise
20 program is similar to the insulation-financing program except that this program's focus relates
21 to offering financing for customers to install high-efficiency natural gas furnaces, natural gas
22 air conditioners, water heaters as other energy efficient natural gas appliances. The Energy

1 Wise program is available to both credit qualified residential and credit qualified commercial
2 customers.

3 Q. How has Staff addressed these programs in the cost of service calculation?

4 A. Staff has included the May 31, 2022 loan balances associated with each of these
5 programs, separately for Spire Missouri East and West as an addition to rate base, found on
6 Accounting Schedule 2. Spire Missouri East and West collects interest from customers related
7 to their respective loan balances. Staff has included adjustments to increase revenues as part of
8 the Spire Missouri East and West cost of service calculations to appropriately include the
9 interest income that is collected from customers in relation to both of these conservation and
10 energy efficiency related programs. Staff will continue to examine these loan balances and
11 interest income through the September 30, 2022 true-up cutoff as established by the
12 Commission for this rate case.

13 Q. Does this conclude your direct testimony?

14 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 AMENTHOR

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

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

Further the Affiant sayeth not.



PAUL 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 30th day of August 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



Notary Public

Paul K. Amenthor

EDUCATIONAL BACKGROUND AND EXPERIENCE

In December of 2016, I graduated from Southern Illinois University Edwardsville with a Bachelor of Science in Accounting. I have also earned a Bachelor of Science in Economic and Management with an emphasis in Accounting Sciences from the University of Lomé, Togo in June of 2007.

I commenced employment with the Missouri Public Service Commission as Utility Regulatory Auditor in September 2017. As a Utility Regulatory Auditor II, I am responsible in part, for assisting with the audit and examination of the books and records of utility companies operating within the State of Missouri and sponsoring testimony as an expert witness in Commission proceedings.

Prior to employment with the Commission, I worked with Walmart from June 2011 to August 2017, as an Inventory Management Associate. In this position, I was primarily responsible for ensuring the accuracy of on-hand inventory in the warehouse.

I also worked with Lee Enterprises (Lee Finance) from March 2017 to August 2017 as a Circulation Accounting Clerk. In this position, I was primarily responsible for processing customers' remittances, invoices, and accounts deposits. I also provided support for senior staff with each end of month closing.

Paul Amenthor

CASE PARTICIPATION

<u>Company Name</u>	<u>Case No.</u>	<u>Issues</u>
Spire-Investor (Gas)	GR-2022-0179	Prepayments, Customer Deposits, Customer Advances, Rents and Leases Expense, Materials & Supplies, Plant In Service and Depreciation Reserve, Injuries & Damages, PSC Assessment, Insurance Expense, Line Locating Costs, Fuel Expense, Software and IT Costs, Capitalized O&M Depreciation, Natural Gas Inventory
Ameren Missouri (Electric)	ER-2021-0240	Payroll & Related Payroll Taxes Employee Benefits, Employee Relocation Expenses MEEIA Test Year Labor and Non-Labor Expenses Non-Labor Power Plant maintenance Severance costs Permanent Cleaning procedures Call Center Costs Cybersecurity, software OPEB, Pension & trackers , SERP Non-qualified expense External Audit fees
Ameren Missouri (Gas)	GR-2021-0241	Payroll & Related Payroll Taxes Employee Benefits, Employee Relocation Expenses Non-Labor Distribution maintenance Severance costs Permanent Cleaning procedures Call Center Costs Cybersecurity, software OPEB, Pension & trackers , SERP Non-qualified pension expense External Audit fees
Missouri American Water Company (Water)	WR-2020-0344	Leases (Rents and Transportation), Rate Case Expense, Telecommunication Expense

Paul K. Amenthor

<u>Company Name</u>	<u>Case No.</u>	<u>Issues</u>
Ameren Missouri (Electric)	ER-2019-0335	Payroll & Related Payroll Taxes Employee Benefits, Employee Relocation Expenses MEEIA Test Year Labor and Non- Labor Expenses Callaway Refueling OT Labor and non-Labor Real & Property Taxes Non-Labor Power Plant maintenance Dues & Donations Miscellaneous Expenses Severance costs
Ameren Missouri (Electric)	EA-2019-0371	CCN Filing
Ameren Missouri (Gas)	GR-2019-0077	Rate Base Items: Prepayments, customer advances, customer deposits, Plant in service, Accumulated Reserve, natural gas inventories, materials and supplies Revenues: Customer Growth/seasonality, Removal of GRT, PGA, Unbilled Revenue, Provision for Rate Refunds, and Other Revenues Expenses: Uncollectible Expense, Capitalized depreciation, Non Labor Distribution Maintenance, and Interest on Customer Deposits Filed Direct, Surrebuttal/True-Up
Liberty Midstates Natural Gas (MNG)	GR-2018-0013	Advertising, Miscellaneous expenses, Insurance expense, regulatory expense, Environmental expense, Dues and Donations Filed Direct, Surrebuttal/True-Up