BEFORE THE PUBLIC SERVICE COMMISSION
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**

STAFF'S STATEMENT OF POSITIONS

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Statement of Positions,* states as follows:

1. Cost of Capital Issues:

a. Capital Structure:

The appropriate capital structure for determining Spire's authorized ROR is Spire's own capital structure as of May 31, 2021, composed of 54.25 percent common equity and 45.75 percent long-term debt.[1]

b. Return on Common Equity ("ROE"):

Staff recommends, based upon its expert analysis, a return on common equity ("ROE") range of 9.12% to 9.62%, with a point estimate of 9.37%.[2]

c. Long-Term Debt:

The correct cost of debt to be used for setting Spire's authorized rate of return ("ROR") is Spire's embedded cost of debt of 4.00%.[3]

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[1] Staff's Revenue Requirement Cost of Service Report, p. 5, ll. 17-18; Won Rebuttal, p. 43, l. 11; Won Surrebuttal, p. 2, ll. 7-8.

[2] Staff's Revenue Requirement Cost of Service Report, p. 5, l. 10; Won Rebuttal, p. 43, l. 6; Won Surrebuttal, p. 2. ll. 6-7.

[3] Staff's Revenue Requirement Cost of Service Report, p. 6, ll. 3-4; Won Rebuttal, p. 43, l. 12; Won Surrebuttal, p. 2, l. 9.

d. Short-Term Debt:

Short-term debt should not be included in the capital structure because the average level of construction work in progress and other short-term assets exceeds the amount of short term debt outstanding as of the May 31, 2021, true up date. However, Staff will keep monitoring Spire Missouri's short-term debt level for future Spire Missouri rate cases.

2. COVID-19 Accounting Authority Order ("AAO"):

a. What is the appropriate amount of Spire Missouri's COVID-19 AAO the Commission should approve for recovery in Spire Missouri rates?

The Commission should approve recovery of Spire Missouri's COVID-19 AAO in the amount of $148,390 for Spire East and $1,932,494 for Spire West for the period of March 1, 2020, through December 31, 2020. These amounts should be recovered through a five-year amortization. These total amounts will be updated through March 31 2021, as part of the true-up audit. These amounts do not include the foregone late payment fees and reconnect/disconnect fees that Spire Missouri was authorized to defer in Case No. GU-2020-0376. Per Spire, Accounting Standards Codification 980 does not allow Spire to record the deferral of forgone late payment fees and reconnect/disconnect fees. Staff recommends these amounts be tracked and recovered over a five-year period. The amount the Commission should approve for recovery for foregone late payment fees and reconnect/disconnect fees is $2,016,882 for Spire East and $1,181,682 for Spire West. These amounts will also be a part of Staff's true-up audit.[4]

[4] Staff's Revenue Requirement Cost of Service Report, pp. 104-108 (Bolin).

b. Should the unamortized balance of the COVID-19 AAO be included in rate base?

No. The COVID-19 pandemic was an extraordinary event. Allowing the recovery of the AAO in rate base shields Spire's shareholders from the risk of an extraordinary event.[5]

3. Pension and OPEBs -- What level of pension contributions should be included in rates?

The appropriate amount of pension contributions to include in rates is an amount sufficient to achieve an 80% funded status and minimum required contribution amounts, as required by the federal ERISA legislation.[6])

4. Lobbying:

a. Should lobbying costs be included in Spire East's and Spire West's cost of service?

No.[7]

b. What lobbying costs should be removed from rates?

All lobbying costs, including internal lobbying employee salaries and dues for organizations involved in active lobbying should be removed from rates.[8]

5. Dues and Donations -- What organization dues and donations should be removed from Spire East's and Spire West's cost of service?

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[5] *Id.*

[6] Staff's Revenue Requirement Cost of Service Report, p. 41; Giacone Rebuttal, p. 2:1-3; Giacone Surrebuttal, p. 9-14.

[7] Staff's Revenue Requirement Cost of Service Report, p. 77, ll. 25-26; Giacone Surrebuttal, pp. 6-7.

[8] *Id.*

Organization dues and donations should be removed from rates if they are: involuntary ratepayer contributions of a charitable nature; supportive of activities which are duplicative of those performed by other organizations to which the Company belongs or pays dues; associated with active lobbying; or represent costs that provide no benefit or increased service quality to the ratepayers and are unnecessary in the provision of safe, reliable and adequate service.[9]

6. PSC Assessment -- What is the proper methodology that should be used for the Missouri Public Service Commission ("PSC") assessment?

The most recent known and measurable PSC assessment amount as of the May 31, 2021, true-up date should be used. The PSC fiscal year 2021 assessment amount should be used as that is the assessment amount in effect through June 30, 2021.[10]

7. Credit Card Processing Fees:

a. Should an amount be included in Spire East's and Spire West's base rates to account for fees incurred when customers pay by credit card?

Yes. Staff is recommending that the Commission allow Spire East and Spire West to recover the fees for credit and debit card transactions in rates.[11]

b. If yes, what is an appropriate amount to include in Spire East's and Spire West's base rates for credit card fees?

Staff recommends that actual, known and measurable credit and debit card transactions experienced by Spire East and Spire West be used to determine the amount

[9] Staff's Revenue Requirement Cost of Service Report, pp. 81-82; Giacone Surrebuttal, pp. 1-5.

[10] Staff's Revenue Requirement Cost of Service Report, p. 90; Giacone Surrebuttal, pp. 7-9.

[11] Staff's Revenue Requirement Cost of Service Report, p. 81; Nieto Rebuttal, p, 3; Nieto Surrebuttal, p. 2.

of credit card fees to include in rates. Staff trued-up this cost as of May 31, 2021.[12]

8. Cash Working Capital -- What is the appropriate expense lag days for measuring Spire's income tax lag for purposes of cash working capital?

Based on the Internal Revenue Code requirement for filing and paying corporate income taxes on a quarterly basis, Staff recommends the expense lag for income tax within cash working capital calculation be 38 days.[13]

9. Severance Expenses -- Should Spire East's and Spire West's severance expense be included in cost of service?

No. Severance costs that create a benefit to customers are incurred infrequently. Because severance costs in most cases benefit the Company's shareholders only, and because of potential over-recovery of the severance costs due to "positive regulatory lag," Staff recommends severance costs be excluded from cost of service.[14]

10. Red Tag and One-Time Energy Affordability Programs -- Should the unamortized balance of Red Tag and one-time Energy Affordability (Spire West only) programs be included in rate base?

Staff recommends no rate base treatment for Red Tag and one-time Energy Affordability (Spire West only) programs deferred costs. Staff generally recommends rate base treatment for deferred costs that are capital in nature, costs that are amortized over a long period of time, and deferred balances that are significant. Red Tag and one-time

[12] *Id.*

[13] Staff's Revenue Requirement Cost of Service, p. 35; Nieto Rebuttal, p. 4; Nieto Surrebuttal, p. 3.

[14] Staff's Revenue Requirement Cost of Service Report, p. 69, Nieto Surrebuttal, p. 6-8.

Energy Affordability programs costs do not meet these criteria. Staff further recommends a four-year amortization based on Spire's recent history of filing cases.[15]

11. Insurance Expense -- What amount of Insurance expense should be included in Spire East's and Spire West's cost of service in FERC account 925?

Staff included an annualized level of current and effective insurance premiums in Spire East's and Spire West's cost of service. In its direct filing, in FERC account 925, Staff included an annualized level of insurance expense of $9,472,773 and $5,141,598 for Spire East and Spire West, respectively.[16]

12. Injuries and Damages:

The appropriate level of injuries and damages to be included in rates for Spire East is $2,176,828 and $2,036,816 for Spire West. For injuries and damages expense, Staff calculated a three-year average of actual cash payouts net of insurance recoveries in Account 925 and used that average to represent a normalized level of actual claims paid.[17]

Staff recommends that none of the litigation fees, judgement, or insurance recoveries associated with the discrimination lawsuit be included in base rates.[18]

13. Incentive Compensation:

a. Should the costs of Spire's Annual Incentive Plan ("AIP") be included in base rates?

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[15] Staff's Revenue Requirement Cost of Service Report, p. 104; Nieto Surrebuttal, pp. 8-11.

[16] Staff's Revenue Requirement Cost of Service Report, pp. 78-79, Nieto Surrebuttal, pp. 4-5.

[17] Staff's Revenue Requirement Cost of Service Report, p. 79 (Juliette).

[18] Juliette Surrebuttal, p. 7.

Yes. In Staff's Direct Cost of Service Report, Staff has included a level of non-earning based AIP expense that Staff believes will be representative of Spire's incentive compensation expense for the year following this case.[19]

b. Should the two new metrics Spire implemented in the fall of 2018 be included in base rates?

Yes. Both of these metrics provide benefits to ratepayers as they incentivize employees to reduce expenses or increase revenues while providing safe and reliable service.[20]

14. Property Tax:

a. What is the appropriate level of Missouri property tax to be included in rates?

The appropriate amount of Missouri property tax to be included in rates for Spire East is $22,411,521 and $18,873,482 for Spire West. Staff recommends an annualized level of property taxes using a ratio of plant-in-service as of January 1, 2020, and property taxes paid in 2020. The ratio is then applied to plant-in-service as of January 1, 2021.[21]

b. What is the appropriate level of Kansas property tax to be included in rates for Spire West?

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[19] Juliette Surrebuttal, p. 8.

[20] Juliette Surrebuttal, p. 9.

[21] Staff's Revenue Requirement Cost of Service Report, p. 83 (Juliette).

The appropriate level of Kansas property tax to be included in rates for Spire West is $1,537,800. Staff recommends a normalized level of Kansas property taxes based on a four-year period (2017-2020).[22]

c. Should the Commission discontinue the Missouri property tax tracker?

Yes. Property taxes are a normal operating expense of any utility. Staff has historical data that was used to calculate an annualized amount of Missouri property tax expense to include in Spire's cost of service. According to Staff's analysis of both Spire East's and Spire West's property taxes paid, there has not been a high volatility of Missouri property tax expense since Spire's last rate cases.[23]

d. Should the Commission discontinue the Kansas property tax tracker?

Yes. When the tracker was established for Kansas property taxes, the costs were unknown. Kansas property taxes are now a normal operating expense for Spire. Staff has 12 years of historical data that was used to calculate a normalized level of Kansas property tax expense to include in Spire's cost of service.[24]

15. Capitalized Overheads:

A majority of the authoritative ratemaking guidance for capitalizing costs is addressed in the USOA's *Gas Plant Instruction 3 – Components of Construction Cost.* In this instruction, the USOA presents a thorough list of items that can be directly or indirectly related to construction costs, and are therefore eligible for capitalization. The USOA also includes *Gas Plant Instruction 4 – Overhead Construction Costs*. While Instruction (3)

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[22] *Id.*, p. 86.

[23] Juliette Rebuttal, p. 5.

[24] *Id.*, p. 11.

provides guidance for the capitalization of several categories of direct and overhead costs, Instruction (4) generally limits such capitalization to reasonable amounts.[25]

Spire does not maintain records of overhead employee costs and related benefits that are capitalized and the allocation of costs to capital orders is a complex systematic process. Staff is unable to discern the origin of overhead costs that Spire is booking to its capital projects and is including in its rate base.[26]

Staff recommends that, on a going-forward basis, the Commission should order Spire to cease capitalizing non-operational overhead costs, or as an alternative, order Spire to cease capitalizing costs received from Spire Services, until such time that Spire can demonstrate its compliance with the USOA.[27]

16. Net Operating Loss ("NOL") Carryforward:

Spire's NOL asset balance should be included in Accumulated Deferred Income Taxes ("ADIT") and Spire's excess ADIT related to the Tax Cut and Jobs Act. Staff's calculated ADIT balance represents the accumulated cash consequences of tax benefits Spire has realized from its book/tax timing differences. Since the NOL asset represents a tax benefit Spire has not yet realized, it is appropriate to include the tax asset as an offset to total ADIT and excess ADIT.[28]

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[25] Staff's Revenue Requirement Cost of Service Report, p. 31, ll. 21-27.

[26] *Id.,* p. 32, ll. 19-28.

[27] Young Rebuttal, p. 5, ll. 7-10; Young Surrebuttal, pp. 12-21.

[28] Young Rebuttal, pp. 5-9; Young Surrebuttal, pp. 6-12.

17. City Earnings Tax:

a. What level of city earnings tax should be included in Spire East's and Spire West's cost of service?

Spire East and Spire West have not paid city earnings tax since 2013. Staff recommends that no city earnings tax should be included in Spire's cost of service.[29]

b. Should the City Earning Tax be included in the effective tax rate calculation?

No.[30]

18. Gross Receipts Tax (GRT):

Spire should not provide a refund to customers based on the GRT credit on the ISRS refunds; the ISRS refund stipulation did not address the impact to GRT.[31] Additionally, the GRT on customer bills is not being calculated incorrectly and so Spire should not provide a refund to customers.[32]

19. Corporate Allocations/Affiliated Transactions:

Spire should not recognize adjustments to increase costs allocated to Spire, Inc. The Spire Inc. allocations should not be adjusted.[33]

20. What billing determinants and revenue should be ordered in this case?

: Staff recommends that the Commission order the billing determinants and revenue that was developed by Staff by applying a weather normalization adjustment,

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[29] Staff's Revenue Requirement Cost of Service Report, p. 109, ll. 7-12.

[30] *Id.*

[31] Majors Surrebuttal, pp. 5-6.

[32] *Id.*

[33] Majors Rebuttal, p. 2.

365-day adjustment, customer growth and large customer annualization adjustments to billed usage through the update period.

a. Should a weather normalization and days adjustment be applied to the Residential, Small General Service and the Large General Services Classes?

Yes. Staff recommends a weather normalization and days adjustment to account for warmer than normal weather and the annual number of days in a billing cycle.

b. Should a weather normalization factor be applied to Spire East and Spire West Large Customer's and Interruptible monthly usage?

No. There is a weak correlation between billing cycle heating degree days and each set of customers' gas usage. Staff found that these customers appeared to be seasonal; the usage was higher in winter but usage largely independent of the weather.[34]

c. Should customer growth adjustments be applied to the Residential class?

Yes. Staff recommends using actual residential customer bill counts through the update period ending December 31, 2021. Based on the customer bill counts provided by the Company it appears that residential numbers continue to increase since October 2019.[35]

d. Should a growth adjustment for Spire East's and Spire West's Small General Service and Large General Service rate classes be applied?

No. Staff found that throughout the test period customers switched between the SGS and LGS rate classes; however when combined the monthly number of billed

[34] Staff's Revenue Requirement Cost of Service Report, p. 60, ll. 11-12, and p. 61, ll. 1-2.

[35] Cox Surrebuttal, p. 3, graph.

customers from month to month generally remained consistent.[36]

e. Should an adjustment be made for customers switching rate classes during the test period?

Yes. An annualization of new customers, the exit of existing customers and load growth or decline of specific customers is necessary to establish billing determinants as if they had existed in the rate class throughout the entire year.

f. Should an adjustment to billed usage be made for non-residential customers who the Company has estimated will switch rate classes based on new rates approved in this case?

Staff recommends the Commission reject the Company's rate switching adjustment for customers anticipating to switch upon the implementation of rates in this case, and as discussed in Staff's direct CCOS, Staff recommends realignment of the rates for the SGS, LGS and LVS rate classes. This process will make the Company whole for any revenue deficiencies that result from movement of customers within these classes at the implementation of rates in this case.[37]

g. Should an adjustment to billed usage be made for conservation as proposed by the Company?

No. Staff does not recommend the Company's proposed conservation adjustment because it is unsupported by testimony and workpapers, is not necessary and, if the Commission approves Staff's proposed alternative RNA, the RNA will capture changes in

[36] Staff's Revenue Requirement Cost of Service Report, p. 51, ll. 19-22.

[37] Staff's Revenue Requirement Cost of Service Report, p. 62. L. 10. through p. 63, l. 5; Kliethermes Rebuttal, p. 3, ll. 22-24; p. 20, ll. 7-11.

conservation and energy efficiency.[38] Staff reviewed the average use per customer for the Residential class from Spire's previous rate case and the current rate case.[39] Staff did not observe downward trend in average use per customer since Spire's last rate case.[40] Schedule SAW – R1 as it appears compares the difference between average annual actual usage per customer from the current rate case to average annual usage per customer from the prior rate case GR-2017-0215. The Company's limited support for this adjustment does not define whether the annual average usage per customer from the prior case is weather normalized or not. However, by using the average annual actual usage per customer from the current rate case the Company appears to assume that the change in average usage between rate cases is entirely due to conservation and that weather had no impact on usage since the last rate case.[41] The Company erroneously double counts the impacts of weather, and the adjustment is not necessary given the proposed Rate Normalization Adjustment ("RNA") in this case.[42]

21. Propane Facilities -- Should Spire's propane assets, revenues, and expenses remain in its cost of service?

Yes. Staff continues to believe that the propane assets are needed for utility service and, with the exception of the Lange propane assets that were retired in May 2021, Staff has made no adjustment to remove the remaining propane assets, inventory, revenues and expenses from the regulated cost of service. Given the uncertainty with the STL Pipeline,

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[38] Kliethermes Rebuttal, p. 7, ll. 18-21.

[39] *Id.,* p. 6, ll. 3-4.

[40] *Id.,* p. 6, ll. 11-12.

[41] *Id.,* p. 2, ll. 15-22.

[42] *Id.,* p. 3, ll. 22-24.

Spire's own admission that the propane assets can be used for utility service, and the fact that a significant number of the propane assets were not retired by the May 31, 2021, true-up in this case, it is premature to retire the propane distribution assets at this time.[43]

22. Research and Development Allowance -- Should an allowance of $1 million for research and development costs be included in Spire's cost of service?

No. Spire is currently not incurring any costs for research and development; therefore, the costs are not known and measurable.[44]

23. Rate Case Expense:

"In setting rates, the PSC has broad discretion to include or exclude expenditures to arrive at rates it deems to be 'just and reasonable….'" ***Spire Mo., Inc. v. Pub. Serv. Comm'n*,** 618 S.W.3d 225, 233 (Mo. banc 2021) (citing §§ 393.130 and 393.150.2, RSMo (Supp. 2016)). This includes the authority to exclude portions of rate case expense to arrive at overall just and reasonable rates. *Id.* at 233-34. The Commission should order full recovery of the last known depreciation study over three (3) years, full recovery of the customer notices for this case over three (3) years, and 50/50 sharing of any remaining incremental rate case expense using a two-case average.[45]

24. Depreciation:

Staff recommends that the Commission order the use of the depreciation rates as proposed by Staff in Staff's Revenue Requirement Cost of Service Report, Appendix 3,

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[43] Staff's Revenue Requirement Cost of Service Report, pp. 27-28; Lyons Surrebuttal, pp. 2-5.

[44] Lyons Rebuttal, pp. 1-3.

[45] Majors Surrebuttal, p. 3, ll. 1-3; *see also*, Weitzel Surrebuttal, p. 21, l. 21, through p. 22, l. 13.

Schedule DTB-d1, with the exception to Accounts 381.1 (Smart Meters) and 382.1 (Smart Meter Installation).

For Accounts 381.1 and 382.2, Staff recommends the depreciation rates as corrected in the surrebuttal testimony of David Buttig.[46] These rates were ordered in Spire's Depreciation Authority Order, Case No. GO-2020-0416.[47] There has been no new evidence or reasoning that the Commission should modify this depreciation rate.

The use of the amoritized depreciation rates proposed by Spire Witness, Mr. Spanos, for general plant accounts 391.00, 391.10, 391.20, 391.30, 393.00, 394.00, 395.00, 397.00, 397.10, and 398.00, should not be ordered unless Spire is also ordered to regularly retire any assets in those accounts at the end of their amortization period.[48]

25. Should the revenue requirement reflect a disallowance of costs and expenses associated with all investment related to CCN Case Nos. GA-2020-0105, GA-2019-0226 and GA-2019-0210 in excess of the capacities assumed in the economic modeling in the underlying CCN?

Yes. The level of capacity installed for line extensions in Case Nos.GA-2020-0235, GA-2020-0105 and GA-2019-0226 far exceeds the level of capacity currently utilized by the customer(s) served on the extension, due to the Company's future expectations for growth on the line. However, the Company's plans for additional customers to take service from the new main extensions have not materialized to date.[49] Without the expected customer

[46] Buttig Surrebuttal, p. 8, l. 4-5.

[47] *Id.,* p. 8, ll. 20-22, p. 9, ll.1-2.

[48] *Id.,* p. 6, ll. 3-7

[49] Staff's Revenue Requirement Cost of Service Report, p. 30, ll. 7-11.

growth, three of the Company's four completed line extensions are not cost effective at this time. Staff recommends an "excess capacity" adjustment based on the percentage of capacity utilized at this time. The adjustment will result in a reduction to the plant and depreciation reserve balances. As part of Staff's recommendation, the amount of the Company's current plant and depreciation reserve balances that are deemed to be excess capacity should be moved into the "plant held for future use" account (Account No. 105) for possible recovery in a future case.[50]

26. Ultrasonic Meter Infrastructure:

Staff recommends that the Commission disallow 26% of the costs booked in FERC subaccounts 381.1 and 382.2. As of May 31, 2021, Spire had booked $9,813,750 in FERC subaccount 381.1 and $3,428,415 in FERC subaccount 382.2. The resulting recommended disallowance equates to $(2,551,575) for FERC subaccount 381.1 and $(891,388) for FERC subaccount 382.2.

Staff recommends that the Commission require Spire to file quarterly reports that describe any changes to the meter replacement strategy for each Missouri service territory as well as justification for any changes to the replacement strategy. The justification should include, but not be limited to, cost benefit analyses for the change in replacement strategy, alternative approaches considered, and potential customer impacts of the changes.[51] (J Luebbert Surrebuttal, pp. 4-5)

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[50] *Id.*

[51] Luebbert Surrebuttal, pp. 4-5.

27. Automated Meter Reading Opt-out tariff:

Staff recommends several modifications to the Automated Meter Reading Opt-out tariff as proposed by the Spire. First, only customers who request non-standard metering service after the initial advanced meter installation should be subject to the One-Time Meter Setup Charge.[52] Spire should implement a process to notify customers prior to meter replacement.[53] Finally, Spire should define its standard and non-standard metering equipment in its compliance tariff.[54]

28. Gas Supply Incentive Program ("GSIP"):

a. Should Spire East continue its current GSIP mechanism?

No. Staff agrees with OPC's recommendation to suspend the current Spire East GSIP.[55] The current Spire East GSIP gas supply pricing locations are outdated and there is uncertainty around the prudence of Spire East's decision to contract for interstate pipeline capacity with its affiliate, Spire STL Pipeline.[56]

b. Should Spire East's GSIP be expanded to include Spire West's gas supply portfolio?

No. Staff is opposed to expanding the Spire East GSIP to include Spire West.[57] It is premature to allow Spire to potentially earn an incentive on its gas supply portfolio, which includes Spire STL Pipeline, when the prudence of contracting with Spire STL Pipeline has

[52] Eubanks Rebuttal, p. 3, ll 1-11.

[53] *Id.,* ll. 13-17.

[54] *Id.,* ll. 19-20.

[55] Crowe Rebuttal, p. 2, l. 18.

[56] *Id.,* ll. 19-21.

[57] Crowe Rebuttal, p. 2, ll. 21-22, p. 3, ll. 1-2.

not yet been determined. The prudence of Spire East's decision to enter into a transportation agreement with its affiliate Spire STL Pipeline is under review with a Staff recommendation due no later than December 15, 2021.[58]

c. If the Spire East GSIP continues or is expanded to include Spire West, should the GSIP gas pricing Tier 1 be lowered to $2.00 per MMBtu?

No. Staff is opposed to lowering the Tier 1 price to $2.00 per MMBtu from its current $3.00 per MMBtu price.[59] It is Staff's opinion the $3.00 per MMBtu floor is a reasonable price. If the floor price is set too low, the Company may be eligible for incentive compensation without buying its gas supply from the cheapest location available (Crowe rebuttal page 6.[60]

29. Purchased Gas Adjustment ("PGA"):

a. Should the Company consolidate its Spire East and Spire West Purchased Gas Adjustment (PGA) clauses into one PGA clause?

The Company should continue to have two separate PGA clauses.[61] The Spire East and Spire West gas portfolios are substantially different.[62] The pricing exposure and impacts, as were made evident during the February 2021 cold weather event, illustrate the problems associated with combining PGA rates. Asking one PGA service area to subsidize another is inequitable.[63]

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[58] *Id.,* p. 5, ll. 11-19.

[59] *Id.,* p. 6, ll. 9-10.

[60] *Id.,* ll. 19-21.

[61] Sommerer Rebuttal, p. 1, l. 21.

[62] *Id.,* p. 2, ll. 6-19.

[63] *Id.,* p. 3, ll. 12-19.

b. Should the Company institute seasonal PGA rates that develop separate rates for customers who consume comparatively more natural gas in the summer?

No. The Company's gas costs should be the same among various customer classes. Absent compelling evidence that one class of customers costs less to serve than another class from a PGA standpoint, PGA rates should be uniform.[64] In general, the fixed gas costs that are recovered through the PGA are paid by the Company each month of the year, regardless of the underlying seasonal consumption patterns of the customers.[65]

30. Rate adjustments to account for weather, conservation, or both.

The Commission is authorized to approve for the residential class and the small general service class "rate schedules authorizing periodic rate adjustments outside of general rate proceedings to adjust rates of customers in eligible customer classes to account for the impact on utility revenues of increases or decreases in residential and commercial customer usage due to variations in either weather, conservation, or both." § 386.266.3, RSMo (Supp. 2020).

Should the Commission decide to approve a rate adjustment mechanism for weather, conservation, or both, Staff recommends the Rate Normalization Adjustment mechanism ("RNA") discussed at pages 38 through 42 of Staff's Class Cost of Service Report. The Weather Normalization Adjustment Rider ("WNAR") currently in Spire's tariffs is limited to insulating the company from fluctuations due to weather only.[66] The Commission should base the RNA based on the usage blocks identified in Staff's Class

[64] *Id.,* p. 4, ll. 21-23.

[65] *Id.,* p. 5, ll. 6-8.

[66] Staff's Class Cost of Service Report, p. 38, ll. 20-21.

Cost of Service report, which are usage greater than 50 Ccf for residential class customers and between 300 and 599 Ccf for the small general service class customers.[67]

Staff recommends an annual adjustment be applied to all Ccf sales that occur in a block identified in the tariff.[68] Staff recommends that the timing of these filings be such that the portion of sales that will be projected be during the summer, and that the revised rider rate will take effect prior to October 1 to allow the same rate to be in effect for essentially all customers' winter usage.[69]

If the Commission should authorize a rate adjustment more like the currently effective WNAR instead of Staff's recommended RNA, Staff would recommend a filing requirement of 60 days before the tariff effective date to review proposed adjustments, and not the current 30 days.[70] Currently, WNAR filings with a 30-day effective date give Staff time to file a recommendation within 10 to 15 days, at the latest, from the date the proposed rate adjustment is filed.[71] It is difficult to complete Staff's initial review and receive and review any substitute tariffs within those 10 to 15 days.[72]

31. Economic Development Rider ("EDR") -- Should the Commission approve the changes Spire has proposed to the EDR?

Spire has proposed decreasing all minimum gas usage requirements to participate in the rider to one-third of the current level. Spire has also proposed increasing

[67] *Id.,* pp. 38-42.

[68] *Id.,* p. 42.

[69] *Id.*

[70] Stahlman Rebuttal, p. 4, ll. 13-20.

[71] *Id.*

[72] *Id.*

the EDR average discount rate from 20% to 40%, with the annual discount rate limit increasing from 30% to 50%.[73]

Staff recommends that the Commission reject Spire's proposals to increase the current discount levels[74] and decrease the annual level of usage requirements.[75] If the Commission finds that it is reasonable to offer a higher level of discounts, then Staff recommends that the Company draft a separate EDR tariff limited to customers initiating or expanding service in areas of Spire's service territory that have under-utilized infrastructure and sufficient pipeline capacity.[76]

Staff recommends that the Commission adopt Spire's proposal to convert all units of measure in the EDR tariff from Dth to Ccf.[77] Staff also recommends the tariff be clarified to limit total dollar amount of discounts to one percent (1%) of jurisdictional non-gas revenues, and establish a hard expiration date for EDR discounts.[78]

32. Negotiated Gas Service Rider ("NGSR") – What if any changes should the Commission approve to the NGSR tariff?

Spire proposed expanding the tariff purpose to include grid resiliency, distributed generation, and emergency back-up systems.[79] Staff recommends the Commission reject Spire's proposed tariff changes as the current NGSR tariff permits the Company to meet

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[73] Harris Rebuttal, p. 2, ll. 1-4.

[74] *Id.,* p. 3, ll. 17-18.

[75] *Id.,* ll. 1-3.

[76] *Id.,* p. 4, ll. 9-12.

[77] *Id.,* p. 3, ll. 14-16.

[78] *Id.,* p. 4, ll. 4-8, 15-16.

[79] *Id.,* p. 5, ll. 13-14.

competitive threats and allows the Company to attract and retain load customers that require a service structure not found in the Company's standard tariffs. Customers who require distributed generation or emergency back-up system services may be classified as customers who require a service structure not already identified in tariffs.[80]

33. Miscellaneous Charges -- Is the Company proposing to increase certain miscellaneous charges in this case?

The Company proposes increases to eight miscellaneous charge categories for residential and industrial customers, and a consolidation of Spire East and West into one set of miscellaneous charges.[81] Staff is not opposed to consolidation of East and West miscellaneous charges.[82] However, Staff is not recommending any increase in miscellaneous charges at this time. Staff recommends that the Company adjust its revenue requirement to reflect the additional revenue that will be collected from the Company's proposed increase in miscellaneous service charges. Further, Staff recommends that any Commission-ordered revenue requirement in this case take into consideration revenues resulting from changes in miscellaneous service charges.[83]

34. Cash-Out Balancing -- Should cash-out balancing of transportation customers, similar to what is currently used in Spire West, be made applicable to both Spire East and Spire West?

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[80] *Id.,* p. 6, ll. 5-10.

[81] *Id.,* p. 7, p. 8, ll. 9-10.

[82] *Id.,* p. 8, ll. 9-10.

[83] *Id.,* p. 8, ll. 12-16.

Staff recommends that the Commission approve the cash-out balancing provisions for transportation customers in Spire's proposed Transportation Service (TS) tariff.[84] Cash-out balancing is a common practice among Missouri gas companies and interstate gas pipelines operating in Missouri.[85] It allows gas companies and transportation customers to resolve imbalances between transportation customer gas usage and deliveries with an index-based, monthly cash payment or credit and multipliers that provide incentives for transporters to closely match usage and deliveries.[86]

35. Proposed Carbon Neutral Incentive Program:

Staff recommends that the Commission reject the proposed program for the following reasons; (i) the Company's proposed tariff sheet for the program has several deficiencies and is vague regarding the program's scope, applicability, potential future changes, terms and conditions, and the proposed initial customer charges;[87] (ii) the Company's proposed potential future participation cost increases and the possibility of implementation of other carbon-offsetting programs in lieu of the originally proposed one, are not justified and supported by the Company's presented evidence, calculations, and arguments;[88] (iii) customers have several other alternatives for participating in similar carbon-offsetting programs that are implemented by different not-for-profit companies and organizations,

[84] Patterson Rebuttal, p. 2, ll. 14-20, p. 13, ll. 15-16.

[85] *Id.,* p. 12, l. 12, to p. 13, l. 12.

[86] *Id.,* p. 10, ll. 13-17, and p. 11, ll. 4-15.

[87] Dindarloo Rebuttal, p. 3, ll. 17-22

[88] *Id.,* p. 2, ll. 16-20; p. 5, ll. 14-21.

which compared to the Company's proposed program could provide more flexibility and options for customers regarding charges, participation and cancelation, and program type.[89]

36. Proposed Renewable Natural Gas ("RNG") Program:

Staff recommends that the Commission deny Spire's request for a RNG tariff at this time.[90] Staff has several concerns about the proposed tariff and Spire's readiness to implement a RNG program. Spire has proposed a blended rate for RNG and natural gas that would obscure the cost of RNG.[91] The proposed tariff has confusing language related to the customer election of a level of participation.[92] It also fails to address gas quality issues related to RNG.[93] Spire has not adequately assessed the scope of demand or available supply for RNG.[94] Nor has Spire assessed the potential use or impacts of incentives on a RNG program.[95] In addition, recent legislation related to investments in RNG infrastructure, which will require rulemaking by the Commission, institutes requirements that may be reasonably taken as guides for planning of wider RNG programs.[96] If the Commission were to approve a RNG program, Staff recommends that it require Spire to submit a RNG program plan and to make revisions to the tariff to clarify certain issues.[97]

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[89] *Id.,* p. ll. 5-8.

[90] *Id.,* p. 2, ll. 2-5, and p. 9, ll. 10-11.

[91] *Id.,* p. 6, l. 13, to p. 7, l. 2.

[92] *Id.,* p. 7, ll. 5-10.

[93] *Id.,* p. 7, l. 12, to p. 8, l. 2, and p. 4, ll. 7-12.

[94] *Id.,* p. 8, ll. 6-17, and Spire's responses to Staff Data Request Nos. 0267.1 and 0269.

[95] Patterson Rebuttal, p. 9, ll. 1-8.

[96] *Id.,* p. 4, l. 14, to p. 5, l. 16.

[97] *Id.,* p. 9, l. 11, to p. 12, l. 2.

37. Renewable Natural Gas ("RNG") Procurement:

Staff recommends that the Commission deny Spire's requested purchase of RNG through the PGA at this time.[98] Staff concurs with the concerns express in the rebuttal testimony of OPC witness Lena Mantle, namely: current RNG production is limited, RNG is more costly than natural gas, the risks and costs associated with RNG are passed on to the customers, and though it is not directly related to RNG purchases not associated with infrastructure projects, House Bill 734 would require rulemaking on RNG infrastructure programs.[99] Some of the concerns Staff raised related to the RNG tariff are also applicable to other RNG procurement: Spire has not addressed RNG quality, it has not addressed the scope demand or availability of sources for RNG, and it has not assessed the potential impacts of renewable energy incentives related to RNG.[100] If the Commission were to approve the requested purchase of RNG through the PGA, Staff recommends that the Commission require Spire to submit a specific plan for the program that would include an assessment of PGA rate impacts, a description of RNG availability and prices will affect Spire's RNG purchases, establish an RNG quality standard, estimate the potential demand and supply of RNG with supporting documentation, and describe how renewable energy incentives may affect the program and whether Spire may participate in such programs.[101]

[98] (Patterson surrebuttal, pg. 1, line 23-pg. 2, line2).

[99] Patterson Surrebuttal, p. 2, l. 19, to p. 3, l. 6.

[100] *Id.,* p. 3, ll. 9-22.

[101] *Id.,* p. 3, l. 24, through p. 4, l. 13.

38. Rate Schedule Elimination -- Should the Vehicular Fuel, Interruptible, and Large Volume (LV) rate schedules be eliminated as Spire proposes?

Staff recommends removal of the Interruptible rate schedule, and is not opposed to the elimination of the Vehicular Fuel tariff. In both instances, given the relatively small number of customers involved, Staff recommends direct one-on-one customer communication to inform the customers of the transition to the appropriate rate schedule, including education on the rate structure and determinants of the schedule under which they will be receiving service going forward.[102] Staff does not recommend elimination of the LV rate schedules. As part of the analysis to reconfigure the Spire West non-residential rate classes, Staff determined that approximately 20 customers are suited for service on the LV rate schedule based on test year usage. Those customers experienced average test year usage of approximately 170,000 Ccf, or approximately 14,000 Ccf per month. At that level of usage, significant customer impacts would result from transitioning those customers to the Large General Service rate schedule. Staff found similar concerns in reviewing the Spire East customer characteristics. Staff is not opposed to continued refinement of the General Service rate schedules, and notes that incorporation of well-designed demand-based determinants could negate the need for a separate LV rate schedule at some point in the future. Consistent with Staff's direct-filed recommendation, Staff recommends that Spire retain demand information to facilitate the development of demand-based rate elements for the General Service rate schedules and the LV rate schedules, which may facilitate elimination of the LV rate schedule in a future case.[103]

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[102] Lange Rebuttal, p. 2, l. 13-21.

[103] *Id.,* p. 2, l. 22, to p. 3, l. 13.

39. Seasonal Rate Schedule -- Should a Seasonal Tariff rate schedule as Spire proposes be promulgated?

No. However, Staff may support the development of a reasonably-designed seasonal rate schedule, rider, or tariff design, which leaves the Purchased Gas Adjustment ("PGA") as is, but offers reduced recovery of the revenue requirement associated with distribution costs. Such a tariff would rely on demand determinants for the proportionate reduction of the recovery of distribution-related revenue requirement, and require that facility extensions or certificates of convenience or necessity ("CCNs") made in support of seasonal customers reflect the reduced revenue stream associated with the seasonal provision in any economic analysis undertaken.[104]

40. Multifamily Developer Subsidy:

The Multifamily Developer subsidy provision Spire proposes should not be incorporated into Spire's facility extension tariff. Not only does the provision as drafted lack details and processes necessary for its implementation,[105] but it is a reflection of poor economic reasoning and unreasonable assumptions.[106] Moreover, it could exacerbate stranded asset problems associated with short-term customers.[107]

41. Facilities Extension Tariff -- What changes should be made to the Facilities Extension Tariff provisions?

[104] *Id.,* p. 3, l. 14, to p. 4, l. 5.

[105] *Id.,* p. 4, l. 8, to p. 5, l. 1.

[106] *Id.,* p. 5, ll. 2-13; p. 10, l. 9, to p. 11, l. 11.

[107] *Id.,* p. 6.

The Commission should reject Spire's various and unsupported proposed changes.[108] A well-designed facility extension policy does rely on an analysis of the impositions of marginal costs. However, Spire's extension policy provides little guidance, and reducing the hurdle for increasing the size and cost of its distribution system without significant contributions from connecting customers is poor regulatory policy. Staff recommends that Spire redevelop its facility extension policy to better reflect customer-specific and facility-specific projections of customer marginal revenue and customer marginal cost.[109] Staff further recommends that in its facility extension policy, Spire examine the relationship between a number of years of direct revenue requirement associated with the requested extension, and the marginal revenue associated with the requested extension, requiring a connecting customer contribution for any marginal revenue requirement in excess of the reasonably projected revenues. Given Spire's historic use of the Infrastructure System Replacement Surcharge ("ISRS"), a four-year look-out is reasonable. It is also appropriate to require that Spire document any instances in which mains are oversized in anticipation of growth or future demand, so that the prudency of such investment can be reviewed in future rate cases. This documentation should include the size and projected cost of the main the customer actually required; the size, projected cost, and actual cost of the main Spire installed; the Contributions in Aid of Construction ("CIAC") provided and/or refunded on the connecting customer's part; and the basis for Spire's projected growth or future demand.[110]

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[108] *Id.,* p. 11, l. 14, to p. 19, l. 12.

[109] *Id.,* p. 12, ll. 4-10.

[110] *Id.,* p. 19, ll. 1-12.

42. Growing Missouri Tariff -- Should the Growing Missouri Tariff be promulgated?

No. The proposed concept is not sensitive to consideration for stranded assets and general economic efficiency. Further, the proposed tariff is poorly drafted and lacks details necessary for implementation.[111]

43. Customer Choice Provisions -- Should the "Customer Choice" provisions Spire proposes be promulgated?

No. Spire's $15 proposal fails to provide a meaningfully lower customer charge to encourage retention, nor does it contain a "safety valve" feature to protect participating customers. Also, it does not require a demonstration of prior revenues to protect non-participating customers.[112] Spire's $40.50 proposal would attract customers to self-select in a manner that would dilute Spire's residential revenues, thus raising the revenue responsibility for other participants in a future case. Further, Spire has not presented evidence as to whether significant revenue streams were anticipated from customers who would self-select into this program in assessing CIAC for recent facilities extensions.[113]

44. Residential Retention Optional Schedule -- Should Staff's recommended Residential Retention optional schedule be promulgated?

Yes. The objective of this rate option is to retain customers who use a minimal amount of gas, perhaps for cooking or as decorative or emergency heating. The availability of this rate would be limited to structures that have received service for 108 months in the prior 10 years, or have been equipped to receive gas service for 15 or more years, as the

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[111] *Id.,* p.19, l. 14, to p. 24, l. 12.

[112] *Id.,* p. 25, ll. 8-12.

[113] *Id.,* p. 25, l. 13, to p, 26, l. 11.

revenue provided over that time should roughly meet or exceed the investment associated with the initial cost of connecting that customer. This facilitates retention of those customers who would otherwise be vulnerable to leaving the system. It also reduces the subsidization of new growth and high usage by customers who occupy facilities that have been on the system for some time, and who may have pursued efficiency efforts or otherwise reduced their consumption. The design includes a safety valve so if customers who opt onto the rate use more than 50 Ccf in a month, the rate applicable to those Ccf drops back to the level otherwise applicable through the standard rate.[114]

45. Miscellaneous Tariff Issues:

a. Should the rates resulting from this case be promulgated as one rate book or two rate books?

Staff takes no position on whether two rate books or one rate book with district-specific rates should be promulgated.

b. Should the rates applicable to each class of service be consolidated across rate districts?

No. Staff does not recommend consolidation of the rate districts at this time, due to the excessive customer bill impact that would cause.[115] However, Staff does recommend taking steps in this case, including the reconfiguration of rates at Spire West, to facilitate future consolidation, if appropriate.

[114] Staff's Class Cost of Service Report, p. 27, l. 2, to p. 28, l. 14.

[115] Staff's Class Cost of Service Report, p. 15, l. 1, to p. 17, l. 2.

c. Should Tariff Sheet No. R-6.3 add the words "property" and "(which may be combined into one line item for "taxes")" to "License, occupation, gross receipts, franchise and sales taxes; and…"?

No. At the June 9, 2021 technical conference the Company indicated that it is no longer recommending to add "property" in the list of taxes to be recovered as a line item on a customer's bill listed on tariff sheet R-6.3.[116]

d. Should Tariff Sheet No. R-8 change the word "shall" to "may" and add "or (2) gas resold or submetered at no mark-up, with prior express consent of the Company"?

No. The Company is proposing to modify its tariff language to allow the Company to sell gas to customers who intend to resell the gas to tenants at no mark up. This is commonly called submetering.[117] Staff's main concern is that neither Missouri law nor the Commission's rules permit this. The relationship described in Missouri law and the Commission's rules between the utility and the end user does not allow submetering. Spire presumes to have the authority to create and rate regulate small gas utilities at its discretion. Staff is also concerned about the interests of tenants that would otherwise be Spire customers and subject to the Commission's Rules, which would be subject to the rules and regulations – whatever they may be – of the Spire customer reselling gas. Spire provided no tariff provisions that describe how it will ensure that tenants are receiving gas from the

[116] Kliethermes Rebuttal, p. 11, ll. lines 1-3.

[117] *Id.,* p. 11, l. 8.

Spire customer at no mark up. Also, Spire does not indicate whether the customers reselling gas will be served on Residential or non-Residential rates.[118]

e. Should Tariff Sheet No. R-9 add the provision, "The Customer shall be solely responsible for the operation, maintenance, and repair of his piping and appliances beyond the meter outlet, and Company shall have no liability to Customer or any third party arising out of or relating thereto"?

No. In ***Public Service Commission v. Missouri Gas Energy*****,** 388 S.W.3d 221, 229-30 (Mo. App. W.D. 2012), the Missouri Court of Appeals held that "Because we find no statute empowering the Commission to abrogate a customer's right to sue a public utility company for negligence involving personal injury or property damage, we conclude that the Commission does not have the statutory authority to approve of a public utility's attempt to abrogate these common law rights in a tariff sheet."[119] In addition, tariff provisions already specifically identify facilities owned by the customer and facilities owned by the utility. The proposed language would reserve Company liability, even if appropriate system conditions were not maintained by the utility, such as gas quality or pressure.[120]

[118] *Id.,* ii. 10-19.

[119] In that case, Missouri Gas Energy, a predecessor to Spire Missouri West, sought to amend its Tariff Sheet R-34 to read: "The Company shall not be liable for loss, damage or injury to persons or property, in any manner directly or indirectly connected with or arising out of the delivery of gas through piping or gas utilization equipment on the delivery side of the meter, which shall include but not be limited to any and all such loss, damage or injury involving piping, vents or gas utilization equipment, whether inspected or not by the Company, or occasioned by interruption, failure to commence delivery, or failure of service or delay in commencing service due to accident to or breakdown of plant, lines, or equipment, strike, riot, act of God, order of any court or judge granted in any bonafide adverse legal proceedings or action or any order of any commission or tribunal having jurisdiction; or, without limitation by the preceding enumeration, any other act or things due to causes beyond Company's control, or attributable to the negligence of the Company, its employees, contractors or agents."

[120] *Id.,* p. 12, ll. 18-23.

f. Should Tariff Sheet No. R-17 change steps of curtailment, move transportation customers to be curtailed after schools, and delete the provision "Step 2. All sales service to both firm sales customers and firm transportation customers with alternate fuel capabilities is to be curtailed to the extent of such alternate fuels."?

No. At the June 9, 2021 technical conference, the Company indicated that it does not intend for the curtailment steps to reflect that transportation customers would be curtailed after firm service sales customers.[121]

g. Should Tariff Sheet No. R-25 delete the majority of the "Usage Estimating Procedure"?

No. A residential customer's gas usage is generally very seasonal and dependent upon winter heating needs. The Company's proposed language does not factor in weather and simply relies on historical usage for the location for an unknown time period. For example, the Company does not define if twelve months of historical usage will be used or six months of historical usage or historical usage from a similar seasonal period. The proposed language goes a step too far in simplifying the process by removing any specific estimation procedure.[122]

h. Should any other rules and regulations tariff sheet not specifically listed in this list of issues be changed?

No. Staff recommends that the Commission reject all possible tariff changes that Spire is proposing. Further, Staff recommends that any intended changes to Spire's rate

[121] *Id.,* p. 14, ll. 22-24.

[122] Kliethermes Rebuttal, p. 15, ll. 30-36.

tariff sheets and Spire's rules and regulations tariff sheets be specifically stated in any Commission Order approving rates in this case.[123]

46. Should the Intrastate Transportation tariff be eliminated?

No. The Intrastate Transportation tariff serves one customer that is located outside of the Company's service territory. Without this tariff, the Company can't provide service to the customer. The Company has not provided testimony stating that service to the customer has ended or will end upon the conclusion of this case. Staff recommends that the Company's proposed rate tariff sheets be rejected and the Commission Order approving rates in this case expressly state any approved changes to Spire's currently effective rate tariff sheets.[124]

47. Spire West Non-Residential Rate Design -- What appropriate steps should be taken for Spire West non-residential rate design?

Staff recommends realignment of the Spire West non-residential rate schedules so there is minimal financial advantage (or harm) to the customer (or utility) from a customer being placed on the "wrong" rate. Staff also recommends Spire institute processes to annually place customers on the rate consistent with the tariff definition of that rate, and to ensure Spire's compliance with its own tariff. A new rate class should be created within Spire West for customers who procure their own gas and receive only transportation service from Spire, as already exists for Spire East.

For Spire West, all non-residential, non-transport customers with annual net consumption of less than 10,000 Ccf should be served on the Small General Service

[123] *Id.,* p. 9, ll. 3-6.

[124] *Id.,* p. 18, ll. 8-16.

("SGS") class, and any changes to the existing tariff language that Spire believes necessary to require this placement should be made. Staff recommends that all non-residential, non-transport customers with annual net consumption in excess of 10,000 Ccf, but which did not use more than 30,000 Ccf in a single billing cycle, be placed in the Large General Service ("LGS") class, to be effectuated by slight revisions and enforcement of existing tariff language. Remaining customers who used more than 30,000 Ccf in a single month have been placed in the Large Volume Service ("LVS") class for this analysis. An appropriate design incorporates a slight incline for SGS customers with usage that would be associated with a typical LGS customer, at an incline designed to recover the increased customer charge revenue that would come from the customer taking service on the LGS rate schedule, and designed to collect the same level of revenue as the current Spire West tariff with customers served on the appropriate rate schedule to establish reasonable continuity from one rate class to the next.

Staff recommends development of a separate rate schedule for customers within the Spire West rate district that use the transmission and distribution system and related equipment to transport their own privately purchased gas. Currently, these customers are served on various rate schedules via a special tariff term. It is more reasonable to design a separate transportation rate schedule, preferably aligned with the terms of the Spire East transportation rate schedule as closely as possible.[125]

48. Spire East Non-Residential Rate Design -- What appropriate steps should be taken for Spire East non-residential rate design?

[125] Staff's Class Cost of Service Report, p. 30, l. 5, to p. 35, l. 15.

Staff recommends that rate continuity – that is, the reasonable transition from one rate schedule to another - be considered and implemented to the greatest extent possible when rates are designed at the conclusion of this case, and that tariffs be revised to more clearly delineate required changes in customer placement. Staff recommends that Spire obtain daily consumption determinants for development and refinement of the non-residential non-transportation rate schedules at the earliest future opportunity. Staff recommends that charges on these rate schedules be adjusted as a uniform percent adjustment to all rate elements.[126] Spire indicated that it has not interrupted customers on its Interruptible Service schedule within the last ten years, even during extreme weather events, including the February 2021 event, when other customers were curtailed. Staff recommends elimination of this schedule. Staff recommends that charges for remaining rate schedules not eliminated as part of this case be adjusted as a uniform percent adjustment to all rate elements. Staff further recommends that Spire take reasonable action to ensure that its estimated usage for unmetered gas lighting is as accurate as is practicable, in this and future cases.

49. Should Spire East's basis for sales determinants be changed from Therms to Ccf?

Staff does not oppose this change.[127]

50. Interclass Revenue Responsibility:

It is unreasonable to attempt to exactly match each class to its class cost of service study ("CCoS") determined revenue responsibility for a number of reasons. The first reason

[126] Staff's Class Cost of Service Report, p. 28, l. 15, to p. 30, l. 2.
[127] Poston Rebuttal, p. 5, ll. 5-8.

for this is that a CCoS study is an academic exercise. Every dollar of revenue requirement must go somewhere, and while Staff has attempted to allocate revenue requirement as reasonably as possible, items like corporate salaries, office buildings, and plant installed for customers who have long left the system, do not have clear cost causation among current customers. Further, allocation of the distribution system and other plant is dependent upon the determinants at a given time and the customers and usage underlying those determinants are subject to constant change. Second, Staff views it as unreasonable to decrease a given class's rates in a case where the company (or the rate district) is receiving an overall increase. Third, excessive customer impacts should be avoided to reduce customer flight from the system, which results in stranded investment, and to generally benefit customers. Fourth, preservation (or creation) of rate continuity should be considered to avoid rate switching, which may defeat the goal of aligning allocated cost causation with revenue recovery. Finally, given rate cases' structure, parties' rate design recommendations are aligned to a direct-filed revenue position, and the allocation of that revenue requirement is among specific accounts, using a specific rate of return. Unless the Commission approves that exact set of accounting schedules as well as the direct-filed billing determinants in setting the revenue requirement in a particular case, there is an inherent disconnect between the CCoS study results used in providing a party's class cost of service and rate design recommendations, and the actual class cost of service that would result at the conclusion of a case. Other considerations include public policy, such as rate continuity, rate stability, and revenue stability.[128]

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[128] Staff's Class Cost of Service Report, p. 9, l. 9, to p. 10, l. 15.

Staff's Spire East interclass revenue responsibility recommendation is as follows:

Step 1a: Preserve the revenue responsibility of any class providing revenues in excess of its cost of service.

Step 1b: For any class providing revenues within 5% of its cost of service, increase that class's revenue responsibility by the amount indicated to exactly match its cost of service at an equal rate of return.

Step 2: For each remaining class, increase revenue responsibility proportionate to its contribution to revenues, except that it should not exceed the amount indicated to exactly match its cost of service at an equal rate of return.

Step 3: For each remaining class, increase revenue responsibility proportionate to its contribution to revenues.

Staff's Spire West interclass revenue responsibility recommendation is as follows:

Step 1a: Consolidate the General Service classes and Large Volume class for study purposes to establish rate continuity.

Step 1b: Preserve the revenue responsibility of the Transportation class.

Step 2: For the remaining classes, increase revenue responsibility proportionate to their contributions to revenues.

Step 3: Apply a shift of revenue responsibility from the Residential Class to the Transportation Class to roughly equalize the percentage level by which each class is over-contributing.[129]

However, depending on the final revenue requirement ordered for each rate district, these results should be tempered by the considerations mentioned above.

Considering Staff's direct-recommended residential revenue requirement increases, the various customer bill impacts (including ISRS), the fully-allocated functionalized customer cost on a per customer basis to exceed the marginal cost of serving a customer, the potential for excess fixed revenue recovery to contribute to overearnings at Spire West, concern for additional attrition at Spire East, and Staff's recommended Residential Retention rate schedule (discussed below), Staff recommends the Spire West customer charge be retained at $20.00, and that the Spire East Customer charge be retained at $22.00.[130]

51. Residential Rate design:

It is unreasonable to attempt to exactly match each class to its Class Cost of Service Study-determined revenue responsibility for a number of reasons. The first reason for this is that a Class Cost of Service Study is an academic exercise. Every dollar of revenue requirement must go somewhere, and while Staff has attempted to allocate revenue requirement as reasonably as possible, items like corporate salaries, office buildings, and plant installed for customers who have long left the system, do not have clear cost causation among current customers. Further, allocation of the distribution system and other plant is

[129] Kliethermes Corrected Direct, p. 2, l. 15, to p. 4, l. 9.

[130] Staff's Class Cost of Service Report, p. 25, ll. 12-18.

dependent upon the determinants at a given time, and the customers and usage underlying those determinants are subject to constant change. Second, Staff views it as unreasonable to decrease a given class's rates in a case where the company (or the rate district) is receiving an overall increase. Third, excessive customer impacts should be avoided to reduce customer flight from the system, which results in stranded investment, and to generally benefit customers. Fourth, preservation (or creation) of rate continuity should be considered to avoid rate switching, which may defeat the goal of aligning allocated cost causation with revenue recovery. Finally, given rate cases' structure, parties' rate design recommendations are aligned to a direct-filed revenue position, and the allocation of that revenue requirement is among specific accounts, using a specific rate of return. Unless the Commission approves that exact set of accounting schedules as well as the direct-filed billing determinants in setting the revenue requirement in a particular case, there is an inherent disconnect between the Class Cost of Service Study results used in providing a party's class cost of service and rate design recommendations, and the actual class cost of service that would result at the conclusion of a case. Other considerations include public policy, such as rate continuity, rate stability, and revenue stability.[131]

Staff's Spire East interclass revenue responsibility recommendation is as follows:

Step 1a: Preserve the revenue responsibility of any class providing revenues in excess of its cost of service.

[131] Staff's Class Cost of Service Report, p. 9, l. 9, to p. 10, l. 15.

Step 1b: For any class providing revenues within 5% of its cost of service, increase that class's revenue responsibility by the amount indicated to exactly match its cost of service at an equal rate of return.

Step 2: For remaining classes, increase revenue responsibility proportionate to its contribution to revenues, except that it should not exceed the amount indicated to exactly match its cost of service at an equal rate of return.

Step 3: For remaining classes, increase revenue responsibility proportionate to its contribution to revenues.

Staff's Spire West interclass revenue responsibility recommendation is as follows:

Step 1a: Consolidate the General Service classes and Large Volume class for study purposes to establish rate continuity.

Step 1b: Preserve the revenue responsibility of the Transportation class.

Step 2: For remaining classes, increase revenue responsibility proportionate to their contributions to revenues.

Step 3: Apply a shift of revenue responsibility from the Residential Class to the Transportation Class to roughly equalize the percentage level by which each class is over-contributing.[132]

However, depending on the final revenue requirement ordered for each rate district, these results should be tempered by the considerations mentioned above.

[132] Kliethermes Corrected Direct, p. 2, l. 15, to p. 4, l. 9.

Considering Staff's direct-recommended residential revenue requirement increases, the various customer bill impacts (including ISRS), the fully allocated functionalized customer cost on a per customer basis to exceed the marginal cost of serving a customer, the potential for excess fixed revenue recovery to contribute to overearnings at Spire West, concern for additional attrition at Spire East, and Staff's recommended Residential Retention rate schedule (discussed below), Staff recommends the Spire West customer charge be retained at $20.00, and that the Spire East Customer charge be retained at $22.00.[133]

52. Class Cost of Service – How should (1) gas storage and inventory; (2) income taxes; and (3) distribution mains be allocated among the classes?

(1) Gas Storage and inventory should be allocated in a manner that recognizes that a transportation customer may use more gas than nominated when the market price per Ccf is higher and use less gas than nominated on a day when the market price per Ccf is lower, making a zero net monthly imbalance.[134] Transportation customers are customers who choose to purchase their gas requirements from a supplier other than Spire, but utilize Spire's distribution system to transport the gas to the customer's location. Spire's Transportation tariffs provide that the difference between the amount of gas delivered to the customer and the amount of gas used by the customer is balanced by the calendar month.[135] The Spire East tariff currently provides a tolerance of five (5) percent before a

[133] Staff's Class Cost of Service Report, p. 25, ll. 12-18.

[134] Kliethermes Surrebuttal, p. 9, ll. 13-15, and p. 10, l. 1.

[135] *Id.,* p. 9, ll. 8-12.

fee will be charged for any under or over delivery of gas to the transportation customer.[136] If transportation customers are not allocated any portion of the Company's cost of gas storage and inventory, then the 5% cushion should be removed from the Company's tariff and daily imbalancing should take place.[137] However, because it is not reasonable to attempt to exactly match each class to its Class Cost of Service Study-determined revenue responsibility for a number of reasons,[138] and because of the limitations of the demand-related characteristics available in this case, it is not necessary or reasonable to make a finding on this issue.

(2) Generally, income taxes should be allocated to the rate classes in a manner similar to the classes' share of rate base rather than test year level of revenue contribution in excess of assigned and allocated costs.[139] However, by reallocating income taxes on rate base this emphasizes any underlying concerns with allocation of significant rate base, such as Mains. Given the issues involving the allocation of mains[140] and the susceptibility of a Class Cost of Service Study to the accounting schedules and billing determinants underlying its creation,[141] and because it is not reasonable to attempt to exactly match each class to its Class Cost of Service Study-determined revenue responsibility for a number of reasons,[142] it is not necessary or reasonable to make a finding on this issue.

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[136] *Id.,* p. 10, ll. 3-4.

[137] *Id.,* ll. 10-14.

[138] Staff's Class Cost of Service Report, p. 10.

[139] Kliethermes Surrebuttal, pp. 6-7.

[140] Kliethermes Surrebuttal, p. 7.

[141] Staff's Class Cost of Service Report, p. 10.

[142] *Id.*

(3) Allocation of the distribution system and other plant is dependent upon the determinants at a given time, and the customers and usage underlying those determinants are subject to constant change.[143] Accurate demand data is necessary for any number of allocators which may be reasonably used for the allocation of Mains.[144] Class demands are produced as part of Staff's weather normalization worksheets and are calculated based on the output of the weather regression analysis. The output is essentially a usage per day value based on the number of heating degree days ("HDD") in the month. For rate classes that were not weather normalized; including the Transportation, Interruptible, and Large Volume rate schedules, Staff calculated the actual average usage per day for each class. The actual average usage per day was then used as the rate class's monthly demand value for the Transportation, Interruptible and Large Volume rate schedules. While preparing for rebuttal testimony, Staff found that the class usage per day from the weather regression results assumed each customer in the class had the same level of base usage, which resulted in a higher level of total annual usage than was actually billed and created an inaccurate comparison to the class demands calculated from the Transportation, Interruptible and Large Volume rate schedules which were not weather normalized. If all the rate schedules were weather normalized, then the class demand comparison would not have been skewed. However, since some rate schedules were weather normalized and some were not, the comparison of class demands was skewed disproportionately towards the rate classes that were weather normalized. For Staff's correction to its Staff's Class Cost of Service Study, Staff recalculated the class demands for each weather normalized rate

[143] *Id.,* p. 9.

[144] *Id.,* p. 10.

class by applying the weather adjustment to usage per day per billing cycle and then summing usage per day per billing cycle for each month. Except for the weather adjustment, the calculation is consistent with the calculation of class demands for the non-weather normalized rate classes.[145] Consistent with the Ameren Gas rate case, Case No GR-2019-0077, Staff has also reviewed the use of an Average and Excess ("A&E") allocator for mains. While this is generally a more reasonable allocator than Spire's mains allocation, it depends on accurate coincident and non-coincident demand data. Staff developed an allocator for study purposes based on imputed demand data, as actual daily demand data is unavailable at this time for Spire.[146] Because it is not reasonable to attempt to exactly match each class to its Class Cost of Service Study-determined revenue responsibility for a number of reasons,[147] and because of the limitations of the demand-related characteristics available in this case, it is not necessary or reasonable to make a finding on this issue.

53. Low income Programs:

For the Low-Income Energy Affordability Program, Staff's recommendation has three parts:

(1) Staff recommends the Commission reject the Company's proposal of all changes to the Low-Income Energy Affordability Program and order the Company:

1. to follow the Commission order in Case No. GR-2017-0215 and 6 GR-2017-0216;

[145] Kliethermes Corrected Direct, pp. 5-6.

[146] Kliethermes Surrebttal, p. 7.

[147] Staff's Class Cost of Service Report, p. 10.

2. to match with shareholder dollars the current approved program 8 funding for Spire East and Spire West, and;

3. to combine the annual program budgets of Spire East and Spire West into one, provided the Commission approve the Company's proposed change to combine the two program budgets.

(2) Staff recommends the Commission reject the proposal of increase to rebates. The Company can propose the increase again after a cost base analysis is performed, and

(3) Staff recommends the Commission reject the Company's proposal of reallocating the unspent funds of the Low-Income Multi-Family program for use within the whole Energy Efficiency Portfolio.

54. Bad debt and uncollectibles:

Staff recommends a three-year average of bad debt for fiscal years 2018-2020 be included in rates.

WHEREFORE, the Staff of the Missouri Public Service Commission tenders its *Statement of Positions on the Issues.*

Respectfully submitted,

s/ Kevin A. Thompson
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case, **on this 19th day of July, 2021.**

/s/ Kevin A. Thompson