

In the Matter of:

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

GR-2021-0108, VOL. XIII

August 06, 2021



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BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

TRANSCRIPT OF PROCEEDINGS

Evidentiary Hearing

August 6, 2021

Volume 14

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

CHARLES HATCHER, Presiding
REGULATORY LAW JUDGE
RYAN A. SILVEY, Chairman,
MAIDA J. COLEMAN, Commissioner
GLEN KOLKMEYER, Commissioner
SCOTT T. RUPP, Commissioner
JASON R. HOLSMAN, Commissioner

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P R O C E E D I N G S

1
2 JUDGE HATCHER: Let's go on the record. Good
3 morning, everyone. Today is Friday. This is day five
4 of the Spire general rate case hearing which is
5 captioned GR-2021-0108. The parties have filed a total
6 of three Nonunanimous Stipulations and Agreements, and
7 those have addressed all remaining issues in the case
8 thus leaving only our cost of capital issue for today.
9 We will have four witnesses.

10 And before we get started, we will have many
11 opening statements. Let's go ahead and invite Spire up
12 to the podium. Thank you.

13 MR. STOKES: Your Honor, I apologize to
14 interrupt. I just had a really quick request on the
15 issue of cash working capital, and this is Curt Stokes
16 for the Staff by the way, I apologize, because the
17 hearing officer has requested exhibits for some IRS
18 private letter rulings, I have -- I don't know if I'm
19 going to use them yet. I did some late night research.
20 I'm still looking at it. But if we do use them, with
21 the Commission's leave, I'd like to admit three
22 exhibits. I think they're Staff Exhibits 141, 142 and
23 143, I believe.

24 JUDGE HATCHER: Okay. Tell me what those are.

25 MR. STOKES: Okay. The first one, Exhibit

1 141, and I'll pass these out. The first is IRS Private
2 Letter Ruling 201541010, Exhibit 142 would be the Final
3 Order in Virginia State Corporation Commission, Case No.
4 PUE-2013-00061, and Exhibit 143 would be the Report of
5 the Senior Hearing Examiner in Virginia State
6 Corporation Commission, Case No. PUE-2013-00061.

7 JUDGE HATCHER: Tell me where we're at. Are
8 you offering these for admission now?

9 MR. STOKES: Yes. Just as exhibits. Again, I
10 don't know if they're going to be in Staff's brief or
11 not. We need to take a closer look. If we do, I wanted
12 to make sure that they were in the record.

13 MR. APLINGTON: No objection from Spire, Your
14 Honor.

15 MR. CLIZER: The OPC does not anticipate
16 making an objection but would like the opportunity to
17 review the documents. Is it permissible that we might
18 be able to, if necessary, file written objections
19 sometime early next week, if necessary?

20 JUDGE HATCHER: Yeah, that seems fair. I will
21 figure out a date later on in the hearing. I'm going to
22 write a note. Let's try and remember that.

23 MR. STOKES: Thank you, Judge. I apologize
24 for the interruption.

25 JUDGE HATCHER: No, not a problem. It seems

1 as the parties have already discussed it. I am curious
2 as to what these are. I do not recall these cases off
3 the top of my head. The Virginia cases I'm a little
4 fuzzy on.

5 MR. STOKES: They're brand new.

6 JUDGE HATCHER: Okay. I'm sorry. Enough
7 humor. I don't want to take up time. We have our
8 objections set. No objections on the admission of
9 Exhibits 141, 142 and 143. So admitted.

10 (STAFF'S EXHIBITS 141, 142 AND 143 WERE
11 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

12 JUDGE HATCHER: Mr. Caro.

13 MR. CARO: Thank you, Your Honor. Good
14 morning. My name is Frank Caro. I'm counsel on behalf
15 of Spire, Inc. And may it please the Commission. We're
16 here this morning to talk about cost of capital, in
17 particular return on equity and the capital structure.
18 The Commission must set a rate of return, a return on
19 equity in this case, excuse me, that is commensurate
20 with the returns on investments and other enterprises
21 having corresponding risks. That's the standard.

22 The return must be sufficient to assure
23 confidence in the financial integrity of Spire so as to
24 maintain credit and to attract capital. These are the
25 standards set forth in the often cited Hope and

1 Bluefield cases, the US Supreme Court cases.

2 Spire's expert witness Dylan D'Ascendis, who
3 will be on the stand soon, conducted the most robust
4 analysis of the ROE necessary to meet these standards.
5 Mr. D'Ascendis conducted a Capital Asset Pricing Model
6 known as CAPM, a Discounted Cash Flow analysis, DCF, and
7 a Risk Premium Model known as RPM applied to both a
8 utility, to both a utility proxy group.

9 For further confirmation of his results, he
10 applied the models to a non utility proxy group as well.
11 The result of his analysis is a recommended ROE of 9.95.
12 Conversely, the recommendation of 9.25 and 9.37 of OPC
13 and Staff respectively are not sufficient to meet the
14 Hope and Bluefield standards. We intend to show that if
15 just a few in-point changes are made to Staff's models,
16 Staff's recommendation actually goes from 9.37 to 9.99
17 percent. A 9.99 percent ROE is more in line with the
18 upward trending ROEs for gas utilities throughout the
19 country.

20 Further, the latest figures from RRA, the
21 Regulatory Research Associates, published by S&P Global
22 Market Intelligence, which publishes ROE results
23 throughout the utility sector, indicate that the average
24 ROE for gas utilities in the first half of 2021 is 9.62
25 up 16 basis points from the average in 2020.

1 Now let's turn to capital structure. OPC also
2 takes -- First, let me explain Staff and the Company are
3 in agreement with the capital structure. OPC also takes
4 issue with the Commission's finding in Spire Missouri's
5 2017 rate case with regard to the capital structure used
6 to set overall rate of return. In 2017, the Commission
7 found that Spire Missouri's own capital structure should
8 be used to set the rate of return.

9 OPC takes the extreme position that Spire,
10 Inc.'s capital structure should be used even though
11 Spire Missouri is financially independent from its
12 parent. As was the case in 2017, Spire Missouri issues
13 its own debt which supports its own bond rating. Spire
14 Missouri's assets do not guarantee the debt of Spire,
15 Inc., its other utilities or its unregulated operations.

16 Spire, Inc. holds five utilities in three
17 different states, a FERC regulated interstate pipeline
18 and other businesses not under regulation by this
19 Commission. These are the same facts today that led the
20 Commission -- excuse me. These are the same facts today
21 that lead the Commission to use Spire Missouri's own
22 capital structure in 2017. Staff agrees that this is
23 the correct approach.

24 OPC's approach is extreme and would
25 destabilize Spire Missouri's credit rating, increase the

1 cost of equity, increase the cost of debt and reduce
2 Spire Missouri's access to short-term financing. The
3 end result of OPC's approach would be to increase the
4 cost to Spire's customers.

5 For these reasons, the Commission should be
6 consistent and use Spire Missouri's actual capital
7 structure as used in the 2017 case and as recommended by
8 both Staff and the Company. Using Spire Missouri's
9 actual capital structure and a 9.95 ROE results in an
10 overall allowed return of 7.23 percent. Thank you.

11 JUDGE HATCHER: Thank you, Mr. Caro. No
12 questions? Mr. Thompson.

13 MR. THOMPSON: Thank you, Judge. May it
14 please the Commission. My name is Kevin Thompson and I
15 represent the Staff. We are here today to take up the
16 issue of cost of capital, which is generally one of the
17 largest issues in terms of its value in a general rate
18 case.

19 As you will recall, cost of capital is all
20 about calculating the rate of return by which the rate
21 base is multiplied in order to calculate the return on
22 investment that is part of the revenue requirement.
23 This rate case is unusual. Staff is aligned with the
24 Company on capital structure, the cost of long-term debt
25 and the exclusion of short-term debt.

1 However, Staff is aligned with the Office of
2 the Public Counsel on the issue of return on equity
3 generally referred to as ROE. With respect to ROE,
4 Staff's expert financial analyst, Dr. Seoung Joun Won,
5 recommends an ROE of 9.37 percent within a range of 9.12
6 percent to 9.62 percent. David Murray, the OPC expert,
7 recommends an ROE of 9.25 percent within a range of 8.5
8 percent to 9.5 percent. Because OPC's recommendation is
9 within the range recommended by Dr. Won, Staff is
10 essentially aligned with OPC on the issue of ROE.

11 Spire's experts, on the other hand, recommend
12 an ROE of 9.95 within a range of 9.94 to 12.07 percent.
13 That recommendation is outside of Dr. Won's range and is
14 frankly too high. Dr. Won will testify that Spire's
15 experts obtained their overly high recommendation by
16 using unreasonably high inputs in their calculations.
17 In their discounted cash flow model in which a dividend
18 factor is added to a growth rate to obtain a result,
19 Spire's experts used inappropriately high growth rates.
20 Spire used an average short-term analyst growth rate of
21 6.16 percent in excess of the projected long-term GDP
22 growth rate of 3.8 percent. It is well understood in
23 the financial services industry that a firm cannot grow
24 faster than the economy in perpetuity.

25 In the risk premium model in which an equity

1 risk premium is added to a risk free rate to obtain a
2 result, Spire's experts used two different equity risk
3 premiums both inappropriately high. And in the capital
4 asset pricing model in which a market risk premium is
5 added to a risk free rate and then multiplied by beta to
6 obtain a result, Spire's experts used an inappropriately
7 high market risk premium of 10.5 percent compared to the
8 financial services industry's standard estimates between
9 4 percent and 7 percent. The same critical weakness is
10 found in Spire's empirical CAPM.

11 Spire's experts also used an inappropriate
12 non-regulated proxy group consisting of 41 unregulated
13 companies. Mr. D'Ascendis contends that because his gas
14 utility proxy group and his non price regulated proxy
15 group share similar betas that they have the same
16 business risk and thus are comparable. Beta is the
17 volatility of a security compared to the volatility of
18 the market as a whole.

19 The truth is that beta alone cannot explain
20 all business risks. Staff found that earnings per share
21 growth rates and equity risk premiums for the non price
22 regulated companies are significantly higher than those
23 figures for the price regulated natural gas utilities by
24 348 basis points and 193 basis points respectively.
25 This demonstrates that the non price regulated companies

1 and the price regulated natural gas utilities are not
2 reasonably comparable for purposes of estimating the
3 cost of equity. These purportedly comparable companies,
4 in fact, are not comparable at all and their use leads
5 to an inappropriate upwardly biased result.

6 Spire also applied unnecessary and unsupported
7 adjustments to raise its recommendation by another 20
8 basis points, these adjustments for size and flotation
9 costs. Spire Missouri is smaller than the average of
10 Spire's gas proxy group. However, Spire Missouri's
11 long-term issuer rating from Moody's is greater than the
12 average long-term issuer ratings for Spire's gas utility
13 proxy group.

14 It is understood in the financial services
15 industry that a higher bond rating brings a lower risk
16 premium. Spire's size adjustment is thus unnecessary,
17 because the bond rating agency has already considered
18 overall financial and business risks when the higher
19 rating was determined.

20 Spire has also improperly attributed Spire,
21 Inc.'s flotation costs to Spire Missouri. Those
22 flotation costs are entirely unreasonable and
23 inappropriate and should be rejected. For all of these
24 reasons, Spire's ROE recommendation should be discarded
25 because it is the result of inputs in calculations that

1 are inappropriate.

2 In the area of capital structure, Dr. Won
3 recommends the use of Spire Missouri's own capital
4 structure consisting of 54.28 percent equity and 45.72
5 percent long-term debt. This is the same capital
6 structure recommended by Spire's experts. OPC, on the
7 other hand, recommends the use of the capital structure
8 of Spire Missouri's corporate parent, Spire, Inc.,
9 consisting of 45.37 percent equity, 45.35 percent
10 long-term debt and 7.28 percent short-term debt.

11 OPC's recommendation is entirely
12 inappropriate, as Dr. Won will testify. There are
13 situations in which Staff believes the use of the
14 parent's capital structure is appropriate for
15 ratemaking, but this is not one of them. There are four
16 factors to consider in determining whether to use the
17 parent's capital structure. One, whether the subsidiary
18 utility obtains all of its capital from the parent or
19 issues its own debt and preferred stock. Two, whether
20 the parent guarantees any of the securities issued by
21 the subsidiary. Three, whether the subsidiary's capital
22 structure is independent of the parent. Four, whether
23 the parent is diversified into non utility operations.
24 None of these four factors supports OPC's position that
25 the parent's capital structure should be used.

1 Spire Missouri raises its own debt capital.
2 So its own capital structure is the one that should be
3 used. Mr. Murray will tell you that Spire, Inc. has
4 managed the capital structure of Spire Missouri in order
5 to reflect the ratio approved by the Commission in Spire
6 Missouri's last rate case. That is no reason to
7 penalize Spire Missouri. By doing so, the Company has
8 simply complied with the Commission's most recent
9 ratemaking order. It is Staff's position that Spire
10 Missouri's Commission approved capital structure is
11 entirely just and reasonable.

12 Staff does not agree with OPC that Spire,
13 Inc., the parent company of Spire Missouri, manages
14 Spire Missouri for purposes of taking advantage of the
15 debt capacity afforded by the low risk regulated utility
16 subsidiaries. Staff notes that Spire Missouri's capital
17 structure is consistent with the capital structure
18 ratios maintained by or authorized for other natural gas
19 utilities while OPC's recommended common equity ratio of
20 47.36 percent is much lower than the average of its
21 natural gas proxy group's common equity ratio of
22 approximately 51 percent.

23 The parties agree that Spire Missouri's cost
24 of long-term debt is 3.99 percent. Staff and the
25 Company do not agree with OPC's recommendation that

1 short-term debt be included in the capital structure.
2 The Commission does not include short-term debt in the
3 ratemaking capital structure in general. Staff would
4 only recommend its inclusion in certain circumstances
5 which do not apply here.

6 In conclusion, I urge you to adopt the
7 thoughtful and well-supported recommendations of Staff's
8 expert financial analyst Dr. Seoung Joun Won. Staff
9 urges you to reject the bloated ROE recommendation
10 offered by the Company's experts, including the several
11 unnecessary adjustments proposed by Spire. Staff urges
12 you to reject the capital structure recommendation
13 offered by OPC, which is intended to significantly
14 reduce the revenue requirement.

15 And finally, Staff urges you to exclude
16 short-term debt from the ratemaking capital structure.
17 Thank you for your attention. I will be happy to
18 attempt to answer any questions.

19 JUDGE HATCHER: Thank you. No questions.

20 MR. THOMPSON: Thank you.

21 JUDGE HATCHER: Mr. Clizer, as you make your
22 way to the podium, I can inform you that I have
23 forwarded your power point on to the Commissioners so
24 that they can follow along and will be leaving the WebEx
25 camera facing you at the podium while those in the

1 hearing room kind of follow along on the large witness
2 stand TV.

3 MR. CLIZER: Thank you, Your Honor.

4 JUDGE HATCHER: As you're ready.

5 MR. CLIZER: If it would please the
6 Commission. John Clizer on behalf of the Missouri
7 Office of the Public Counsel. So we're here to talk
8 about rate of return. We've already heard there are
9 several items we need to discuss: Capital structure,
10 return on common equity or ROE, cost of long-term debt,
11 and the cost of short-term debt. Now, as far as the
12 cost of long-term debt, there really isn't any dispute
13 among the parties. It's only a slight difference based
14 on timing, and I'm not going to cover that in this
15 opening. It's fairly simple.

16 As far as the cost of short-term debt goes, as
17 you've already heard the OPC is the only one arguing to
18 the inclusion of short-term debt. So we're the only
19 party to have put forward it. We are asking to use
20 Spire Missouri's actual cost of short-term debt which is
21 0.2 percent. I want to stress that's not a mistake.
22 It's .2 percent, incredibly low, which is one of the
23 major reasons that -- well, it's one of the main factors
24 in why short-term debt needs to be included. I'll get
25 to that though at the end of the slide.

1 Let's start with capital structure. So there
2 are two important considerations when thinking about
3 capital structure that I would like for the Commission
4 to remember. The first is that debt capacity is
5 directly tied to business risk. A riskier business
6 should have less debts. A safer business has a larger
7 debt capacity. And of course, you can think about this
8 just in terms of asking yourself who's going to have the
9 easier time getting a loan from the bank. The risky
10 business? The safe business? Safer business is going
11 to have an easier time getting a loan. They're going to
12 have to put up less money up front. It's no different
13 than if you were going to go buy a house. The more
14 money you can put up the easier your loan is, the
15 cheaper your loan is. We've all done this. We know
16 this. Less risk means more debt capacity.

17 The other major consideration is that for
18 competitive businesses, non-regulated businesses, which
19 again is what the Commission is hoping utilities will
20 emulate, there's the goal to balance two competing
21 interests. On the one hand you want to get the lowest
22 cost capital you can, while on the other you want to
23 maintain a reasonable sound credit quality. This is the
24 goal of actual competitive businesses to balance these
25 two competing interests.

1 So let's take a look at how Spire Missouri's
2 capital structure stacks up to its parent, Spire, Inc.
3 I apologize. I know that the numbers here are very
4 small. But the first thing I would draw your attention
5 to is that Spire, Inc. for both a three-year and
6 five-year average has been carrying less equity and more
7 debt than its own subsidiary Spire Missouri. Now, that
8 should be a big red flag.

9 Why? Because Spire Missouri is by far a less
10 risky and safer business than its own parent and you can
11 tell the reason for this. In fact, it's one of the very
12 reasons that the Staff counsel got up and explained, you
13 know, why you shouldn't use a consolidated debt.

14 They said hey, look, Spire, Inc. has all these
15 other subsidiaries attached to it, regulated and
16 non-regulated. It does. That makes it more risky.
17 That means it should in theory have more equity and less
18 debt, but it has more debt. We'll get to why on the
19 next slide.

20 The other thing I really want to point out is
21 that again on both a three-year and five-year average
22 both Spire, Inc. and Spire Missouri are carrying about
23 10 percent short-term debt. That means 10 percent of
24 their capital structure is made up of short-term debt.
25 We're going to revisit that when we get to the

1 short-term debt issue.

2 The last thing I want to point out here, and
3 this isn't on this slide, when Spire made a request for
4 a capital structure to FERC for the STL Pipeline, they
5 requested a 50/50 capital structure. Again, Spire is
6 continuously maintaining that other riskier subsidiaries
7 should have less equity and more debt than its safe
8 secure Spire Missouri business which makes no sense.

9 So why? Why does Spire, Inc. have more debt?
10 The answer is that Spire, Inc. is actively managing its
11 capital structure. They are doing what you would expect
12 a competitive business to do, trying to achieve the most
13 cost effective capital. Moreover, Spire, Inc. gets a
14 benefit from Spire Missouri having so much more equity.
15 Why? Because Spire Missouri having a lot of equity
16 creates a lot of cash flow that flows up to the parent
17 Spire, Inc. And then Spire, Inc. uses all that cash
18 flow to financially support its unregulated operations
19 by making principal guarantees for debt instruments that
20 are given out to other non-regulated entities. So you
21 see Spire Missouri is subsidizing Spire, Inc. and all
22 the non-regulated activities by maintaining a
23 purposefully high equity ratio. And it's doing this to
24 ensure that this happens.

25 Spire Missouri is purposely targeting and

1 maintaining the highest equity ratio it can achieve
2 based on the Commission's order. Now, I want to make it
3 very clear when I say they're targeting, there is
4 absolutely no question about this. To point that out
5 I'm going to talk briefly about Staff DR-115.

6 Now, you're looking at this and you're saying
7 I can't read this. That's fine. I'm going to blow up
8 the important parts. Effectively Staff asked for a copy
9 of all the materials and documents that would show how
10 Spire, Inc. -- or Spire Missouri manages its capital
11 structure. And what was Spire Missouri's response?
12 They don't have anything. They're managing it exactly
13 so that they get right at what the Commission ordered.

14 Again, they're getting to what the Commission
15 ordered in order to maintain the highest equity possible
16 so that they can flow as much cash to their parent who
17 can use the money to send out to the other subsidiaries.

18 What are the effects of this? Well, the
19 biggest and most troubling effect in my opinion is that
20 the Commission has now become the de facto manager of
21 Spire's capital structure. The Commission often says we
22 don't want to make business decisions on behalf of the
23 Company. You are now making a business decision on
24 behalf of Spire, Inc. because Spire, Inc. is going to
25 adopt whatever the capital structure the Commission

1 orders according to their own statements. So if you,
2 Commission, give them an overly high capital structure,
3 you're going to be the ones who end up directly hurting
4 ratepayers. But it gets worse than that, because the
5 Commission Staff has taken the position that Spire's
6 capital structure should remain the same because nothing
7 has changed since the last rate case.

8 If you think about it, nothing has changed
9 since the last rate case because Spire is targeting its
10 capital structure. So what this does is it puts
11 customers at risk of the perpetual capital structure.

12 Let me show you a visual diagram of what I
13 mean. It starts up at the top where the Commission
14 approves a capital structure. Then Spire targets that
15 capital structure, as they've already said they are
16 going to do. Spire achieves the targeted capital
17 structure, and the Commission Staff seeing that nothing
18 has changed from what the Commission ordered recommends
19 they continue the capital structure and thus you have a
20 loop. At no point ever will customers have any chance
21 of seeing less costly capital based on equity because
22 they're always going to maintain as high an equity ratio
23 as possible because of this loop. That is the key
24 problem here.

25 What's going to happen if there's no

1 correction? Well, as I already said, Spire Missouri
2 will never achieve a more cost efficient capital
3 structure. It doesn't matter how much regulation or
4 legislation occurs that says hey, it's safe, you can
5 forward more debt, they're going to continue to maintain
6 as high an equity ratio as possible.

7 Second, Spire Missouri ratepayers are going to
8 continue to subsidize Spire, Inc.'s non-regulated
9 business activities. And finally, as I've already said,
10 the Commission is going to remain the de facto business
11 manager, at least with regard to capital structure, of
12 Spire Missouri and the Commission will be directly
13 injuring customers if it authorizes an expensive equity
14 rich capital structure that the Company does not
15 actually need to meet its capital needs.

16 How do we correct this problem? As I've
17 already said, Spire, Inc. is actively managing its
18 capital structure. It is doing what a competitive
19 business is meant to do. So we should use Spire Inc.'s
20 capital structure to guide setting Spire Missouri's
21 capital structure. Stated a different way, you should
22 consider a consolidated capital structure for guidance.

23 Now, I'm going to turn to the second issue
24 regarding capital structure which is in many respects
25 just as big and that's the inclusion of short-term debt.

1 As I showed you previously, both Spire, Inc. and Spire
2 Missouri are consistently funding themselves with
3 approximately 10 percent short-term debt. This is far
4 greater than any other investor-owned utility operating
5 in this state.

6 Moreover, 30 percent of this 10 percent,
7 that's 3 percent of the total capital structure, is
8 funding CWIP, Construction Work in Progress. This is
9 important because you heard the counsel for Staff come
10 up here and say generally the Commission does not
11 include short-term debt in capital structure. That's
12 correct, because short-term debt is generally used as
13 bridge financing for construction, the CWIP. However,
14 the Commission has accepted in the past the testimony
15 that says the short-term debt in excess of CWIP, that
16 should be in the capital structure because if it's not
17 funding short-term assets like CWIP, it's funding rate
18 base. And the point here is that when you look at how
19 much short-term assets the Company has compared to how
20 much short-term debt they're carrying, 70 percent of
21 their short-term debt or 7 percent of their overall
22 capital structure is funding non short-term assets.
23 It's funding rate base. And that's why it needs to be
24 included in the capital structure.

25 Finally, I want to point out that historically

1 both Spire East and West have included short-term debt
2 in their capital structure either by Commission order or
3 by the Company's own recommendation. There was one
4 point on this issue that really wasn't kind of brought
5 up that I want to address and that's the Company is
6 adopting what I consider to be one of the most egregious
7 and manipulative ideas, arguments regarding short-term
8 debt inclusion I've ever seen. It's truly ridiculous.

9 This is what happens. If you go and look at
10 the entire test year and true-up period and you look at
11 how much short-term assets and how much short-term debt
12 the Company is carrying on a month-by-month basis, you
13 will see, as I've already said, that short-term debt
14 exceeds short-term assets by like three to one. Again,
15 it's that 30 percent I mentioned. Short-term assets
16 only make up about 30 percent of the short-term debt
17 that's on their books for 19-1/2 out of the 20 months
18 that are in the true-up and test year.

19 In the last half of the last month of the
20 true-up, the Company issued long-term debt. What the
21 Company is claiming is that long-term debt issued in the
22 last half of the last month, 11 days wipes out all the
23 short-term debt across its entire test year and that's
24 why you shouldn't include any short-term debt.

25 The Company is effectively arguing that 11

1 days in the month of May should set its entire capital
2 structure and the Commission should ignore 19-1/2 months
3 of data for no reason. There is no basis in law, fact
4 or reason for this, and the Commission should not do it.
5 When you look at what was actually happening to the
6 Company, you will see that 7 percent of their overall
7 rate base was being funded by short-term debt for 19-1/2
8 out of the 20 months in the true-up and test year
9 period.

10 So to conclude, the proper, just, and
11 reasonable capital structure that should be adopted for
12 Spire Missouri is 45 percent common equity -- 45.04
13 percent, 47.68 percent long-term debt and 7.28 percent
14 short-term debt.

15 All right. I know I just talked a lot. Don't
16 worry. My slide on return on equity is just one slide.
17 So as you already heard from Staff counsel, we actually
18 are pretty much aligned with Staff here. The OPC's
19 range is from 8.5 to 9.5. We are recommending a 9.25
20 which is exactly what this Commission just approved for
21 the Empire District Electric Company. So it's nothing
22 new there.

23 Staff's range is from 9.12 to 9.625. So our
24 recommendation falls within Staff's range of
25 reasonableness. Finally, I want to point out our

1 recommended ROE is already 200 basis points higher than
2 the actual cost of equity for the Company. I want to
3 talk about two things here that kind of drive that home.

4 First, if you pick up any certified financial
5 analyst textbook, any basic economics textbook, they
6 will tell you that the rule of thumb for determining the
7 cost of equity for a company is to take the debt
8 issuance by the company and add 3 to 4 percent as a risk
9 premium. Okay. Spire just issued bonds at 3.3 percent.
10 So if you take that, add 3 to 4 percent and you're at
11 8.3 -- sorry, 6.3 to 7.3. You add your 200 basis points
12 and you get to 8.3 to 9.3 which is basically exactly
13 where the OPC's range is give or take .2 percent. Yeah.

14 So we are already 200 basis points above what
15 the general rule of thumb tells you their cost of equity
16 is. That's okay because as Mr. Murray has testified and
17 will testify investors expect that the ROEs are going to
18 be set higher, a little bit, than the cost of equity.
19 Now, they also expect that those are going to come a
20 little bit further down, they're going to get more in
21 line with the cost of equity, but this is already an
22 expectation of investors. The point is, you don't need
23 a 9.95. That's going way beyond the risk premium that's
24 necessary.

25 Finally, as one last point. Our witness

1 Mr. David Murray, who you will hear from shortly, has
2 based his analysis on actual, practical investment
3 analyst data and assumptions. He's, I believe, the only
4 person to have done that. That is why you should listen
5 to him when it comes to this issue. I have nothing else
6 to add. Are there any questions?

7 JUDGE HATCHER: No questions. Let's get to
8 our first witness. Mr. D'Ascendis, would you please
9 make your way to the witness stand. Please raise your
10 right hand.

11 (Witness sworn.)

12 JUDGE HATCHER: Thank you. Please have a seat
13 and state and spell your name for the court reporter.

14 THE WITNESS: Sure. My name is Dylan W.
15 D'Ascendis, D-y-l-a-n D-'-A-s-c-e-n-d-i-s.

16 JUDGE HATCHER: Thank you. And Spire's
17 witness.

18 MR. CARO: Thank you, Your Honor.

19 DYLAN W. D'ASCENDIS,

20 being sworn, testified as follows:

21 DIRECT EXAMINATION BY MR. CARO:

22 Q. Mr. D'Ascendis, would you again please state
23 your name and your business address for the record?

24 A. Yes. My name is Dylan D'Ascendis. My
25 business address is 3000 Atrium Way in Mount Laurel, New

1 Jersey.

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

4 A. I'm a partner at Scott Madden, Inc.

5 Q. Are you the same Dylan W. D'Ascendis who
6 caused to be filed direct, rebuttal and surrebuttal
7 testimony in this proceeding on December 11, 2020, June
8 17, 2021 and July 14, 2021 respectively?

9 A. Yes.

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

12 A. I don't.

13 Q. If I were to ask you the same questions again
14 that are posed to you in your direct, rebuttal and
15 surrebuttal testimonies, would your answers be the same?

16 A. They would.

17 Q. And are those answers true and correct to the
18 best of your knowledge?

19 A. They are.

20 MR. CARO: Thank you. At this time I'd like
21 to move the Commission to enter all of Mr. D'Ascendis'
22 testimony into the record. I believe they've been
23 marked as Exhibits 5, 6, 7, which is a public version,
24 and another 7, which is a confidential version.

25 JUDGE HATCHER: The parties have heard the

1 list of exhibits. Are there any objections? Hearing no
2 objections, it is so admitted.

3 (SPIRE'S EXHIBITS 5, 6, 7C AND 7P WERE
4 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

5 MR. CARO: Thank you. And I'd like to tender
6 Mr. D'Ascendis for cross-examination.

7 JUDGE HATCHER: We'll go to Mr. Thompson of
8 Staff.

9 MR. THOMPSON: Thank you.

10 CROSS-EXAMINATION BY MR. THOMPSON:

11 Q. Good morning, Mr. D'Ascendis.

12 A. Good morning.

13 Q. You heard the opening statement given by
14 Mr. Clizer; is that correct?

15 A. I did.

16 Q. Do you agree that the appropriate ratemaking
17 capital structure is 45.04 percent equity, 47.68 percent
18 long-term debt and 7.28 percent short-term debt?

19 A. I don't.

20 Q. Why is that?

21 A. Well, I'm relying on the testimony of
22 Mr. Woodard, but the proposed capital structure that
23 Spire and the Staff has pretty much agreed to at least
24 in my testimony they're comparable to the equity ratios
25 and capital structures maintained by both the holding

1 company proxy groups and the operating company proxy
2 groups. So in my portion of the testimony, which was
3 looking at the reasonableness of the Company's request,
4 it looks like they're comparable in my view.

5 Q. Thank you. And if you know, if the Commission
6 were to adopt the capital structure suggested by the
7 Office of the Public Counsel, rather than the capital
8 structure suggested by the Company and the Staff, would
9 that result in a lower revenue requirement?

10 A. I'm not sure, but I mean, the key to the thing
11 is I think Mr. Caro said in his opening statement that
12 Spire, Inc. has five different gas companies, a pipeline
13 company and non-regulated businesses. So it doesn't
14 reflect -- The Spire, Inc. capital structure doesn't
15 reflect Spire Missouri's operations. What Mr. Woodard
16 correctly did and what Dr. Won correctly did was they
17 looked at what finances the rate base and that is the
18 actual capital structure of Spire Missouri.

19 Q. Let's talk about what finances the rate base.
20 Mr. Clizer indicated that it is OPC's belief that 70
21 percent of the short-term debt carried by Spire Missouri
22 is used to finance the rate base; is that correct?

23 A. I wouldn't know for sure, but in general when
24 you talk about financing rate base you talk about the
25 matching principal and that the debt would match the

1 life of the investment. So if your assets are long term
2 in nature, you wouldn't finance them with short-term
3 debt.

4 MR. THOMPSON: Thank you. No further
5 questions.

6 THE WITNESS: Thank you.

7 JUDGE HATCHER: Mr. Clizer, your witness.

8 MR. CLIZER: Nothing. Thank you, Your Honor.

9 JUDGE HATCHER: Thank you. Again, I would
10 state for the record we have all of our Commissioners
11 either on the WebEx or in a shared office or listening
12 on the live stream. If you are on a phone, it is *6 to
13 unmute. Are there any Commissioner questions for
14 Witness D'Ascendis? I don't hear any. The Judge
15 doesn't have any questions. That takes us back to
16 redirect.

17 MR. CARO: No questions. Thank you.

18 JUDGE HATCHER: Thank you. You are excused.

19 THE WITNESS: Thank you. Have a good day.

20 JUDGE HATCHER: You as well.

21 (Witness excused.)

22 JUDGE HATCHER: Mr. Woodard, please come on
23 down. Please raise your right hand.

24 (Witness sworn.)

25 JUDGE HATCHER: Thank you. Please have a

1 seat. If you would state and spell your name for the
2 court reporter.

3 THE WITNESS: Adam, A-d-a-m, Woodard,
4 W-o-o-d-a-r-d.

5 JUDGE HATCHER: Spire's witness.

6 MR. CARO: Thank you, Judge.

7 ADAM WOODARD,
8 being sworn, testified as follows:

9 DIRECT EXAMINATION BY MR. CARO:

10 Q. Would you please state again your name and
11 business address for the record?

12 A. Adam Woodard. Business address is 700 Market,
13 St. Louis, Missouri 63101.

14 Q. Mr. Woodard, by whom are you employed and what
15 is your title?

16 A. I'm the Chief Financial Officer of Spire
17 Missouri and the Treasurer of Spire, Inc.

18 Q. Are you the same Adam Woodard who caused to be
19 filed rebuttal and surrebuttal testimony in this
20 proceeding on June 17, 2021 and again on July 14, 2021
21 respectively?

22 A. I am.

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

25 A. I do not.

1 Q. If I were to ask you the same questions again
2 today that are in your testimonies, would your answers
3 remain the same today?

4 A. They would.

5 Q. Are they true and correct to the best of your
6 understanding?

7 A. They are.

8 MR. CARO: Thank you. At this time I'd like
9 to move the Commission to enter all of Mr. Woodard's
10 testimony into the record as exhibits. They have been
11 marked as Exhibit 45 -- excuse me, Exhibit 44, Exhibit
12 45 which is a public version and Exhibit 45C which is a
13 confidential version.

14 JUDGE HATCHER: Are there any objections to
15 the admission of Mr. Woodard's various testimonies? No
16 objections heard, it is so admitted.

17 (SPIRE'S EXHIBITS 44, 45P AND 45C WERE
18 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

19 JUDGE HATCHER: Go ahead, Mr. Caro.

20 MR. CARO: Thank you, Judge. At this time I'd
21 like to tender Mr. Woodard for cross-examination.

22 JUDGE HATCHER: Mr. Thompson.

23 MR. THOMPSON: Thank you.

24 CROSS-EXAMINATION BY MR. THOMPSON:

25 Q. How you doing, Mr. Woodard?

1 A. I'm great. How about you?

2 Q. I'm okay, thanks, now that I've got a computer
3 that works. I guess you must be Spire's capital
4 structure witness; is that correct?

5 A. I am.

6 Q. Okay. So you were here and listened to Mr.
7 Clizer's opening statement?

8 A. Uh-huh.

9 Q. And you've also read the testimony of OPC's
10 expert David Murray?

11 A. I have.

12 Q. Okay. So let's zero in on that short-term
13 debt. Do you agree that 70 percent of the short-term
14 debt held I guess by Spire Missouri is used to finance
15 rate base?

16 A. No, it is not.

17 Q. What is it used for?

18 A. Short-term debt is used -- We issue short-term
19 debt almost daily and it is used to support short-term
20 assets primarily and then is bridged into longer term --
21 as we put assets into rate base, bridged into longer
22 term capital long-term debt.

23 Q. Is it your professional opinion that
24 short-term debt should be included in the ratemaking
25 capital structure?

1 A. No, it is not.

2 Q. And if you know, can you tell me whether the
3 adoption of OPC's proposed capital structure as opposed
4 to the capital structure recommended by Spire and Staff,
5 would that result in a lower revenue requirement?

6 A. Yes, it would.

7 Q. Would that make it more difficult for the
8 Company to achieve its Commission authorized rate of
9 return?

10 A. Yes, it would.

11 Q. Would that deprive the Company of necessary
12 cash flow?

13 A. Yes.

14 Q. Now, in the opening statement that Mr. Clizer
15 gave, there was discussion about a dangerous circle
16 where you would have the capital structure approved by
17 the Commission, the Commission would again approve your
18 capital structure, and I guess that would continue
19 forever. Did you hear that?

20 A. I did hear that.

21 Q. And did you see the slide that --

22 A. I did review the slide.

23 Q. Okay. Is it your professional opinion that,
24 in fact, that is a danger?

25 A. No.

1 Q. And why is that?

2 A. I just -- That's a theory that's been offered
3 by Office of the Public Counsel that I don't ascribe to.

4 Q. As business and economic conditions change, do
5 you believe that Spire Missouri would alter its capital
6 structure in response?

7 A. It can, yes.

8 Q. So would I be right in thinking that
9 conditions might change in such a way that the Company
10 would want to have less equity in its capital structure?

11 A. There are conditions that would allow for
12 that.

13 Q. And are there conditions that might occur
14 where the Company would choose to have more equity?

15 A. Absolutely.

16 Q. Does Spire Missouri receive any debt capital
17 from Spire, Inc.?

18 A. No, it does not.

19 Q. Spire Missouri issues its own debt?

20 A. It does.

21 Q. Did you hear Mr. Clizer say that if the
22 Commission adopts the capital structure recommended by
23 Spire and Staff that Spire Missouri's ratepayers will
24 continue to subsidize Spire, Inc.'s non-regulated
25 business activities? Did you hear that?

1 A. I did hear that.

2 Q. In your professional opinion, is that, in
3 fact, true?

4 A. It is not.

5 Q. Do you believe that Spire Missouri does
6 subsidize Spire, Inc.'s non-regulated activities?

7 A. No, it does not.

8 Q. And you understand that that would be improper
9 if it did occur?

10 A. Absolutely.

11 Q. And you also heard from Mr. Clizer, did you
12 not, that the Commission by adopting the capital
13 structure suggested by Spire and by Staff would become
14 Spire Missouri's de facto business manager?

15 A. Yeah, I wasn't totally sure what that meant.

16 MR. THOMPSON: Okay. I won't ask you about it
17 then. Thank you very much, sir. I have no further
18 questions.

19 THE WITNESS: Absolutely. Thank you.

20 JUDGE HATCHER: Mr. Clizer.

21 MR. CLIZER: Thank you.

22 CROSS-EXAMINATION BY MR. CLIZER:

23 Q. Good morning, Mr. -- I'm sorry. How do you
24 pronounce your last name?

25 A. Woodard.

1 Q. Woodard. Okay. Thank you. I apologize. I
2 wanted to make sure I got it correct. Mr. Woodard, you
3 are the Treasurer of Spire, Inc. and the majority of its
4 subsidiaries, correct?

5 A. I'm the Treasurer of Spire, Inc. and I'm the
6 Chief Financial Officer of Spire Missouri, Spire Alabama
7 and Spire Gulf.

8 Q. Are you also serving as the treasurer of the
9 majority of their other subsidiaries?

10 A. Yes.

11 Q. Thank you. What is Spire, Inc.'s current S&P
12 credit rating?

13 A. Spire, Inc.'s current S&P credit rating?

14 Q. Yes.

15 A. It is BBB+.

16 Q. I'm asking you for the credit rating of the
17 issuer, not of their bonds.

18 A. The credit rating is useful only as it's
19 applied to securities.

20 Q. What is the current S&P credit rating of
21 Spire, Inc. as an issuer?

22 A. As an issuer?

23 Q. Yes.

24 A. It is A-.

25 Q. What is the current S&P credit rating of Spire

1 Missouri as an issuer?

2 A. It is A-.

3 Q. It is correct that S&P's indicated anchor
4 rating for Spire Missouri is A+, correct?

5 A. It is.

6 Q. Is Spire Missouri's S&P anchor rating the same
7 as a stand-alone credit rating?

8 A. I'm sorry. Could you repeat that?

9 Q. Is Spire Missouri's S&P anchor rating the same
10 as its stand-alone credit profile?

11 A. I don't have that in front of me. I'm sorry.

12 MR. CLIZER: That's fine. Your Honor, I'd
13 like to mark an exhibit which I believe hopefully, if
14 I've gotten this right, 234.

15 JUDGE HATCHER: Yes, 234. So marked. Go
16 ahead.

17 THE WITNESS: What are you referring to? I'm
18 sorry.

19 MR. CLIZER: Hold on one second because I have
20 to lay the foundation for this. I'm going to wait until
21 it's fully passed out. All right. I think we're ready
22 to proceed.

23 BY MR. CLIZER:

24 Q. Mr. Woodard, you would agree with me that this
25 is a response to Office of Public Counsel Data Request

1 3043 provided by Spire Missouri?

2 A. Uh-huh.

3 JUDGE HATCHER: I'd like to stop for just a
4 second. I noticed the word confidential as soon as I
5 turned the page at the top. I'm just looking to the
6 Company for any indication or maybe a discussion with
7 Mr. Clizer.

8 MR. APLINGTON: Your Honor, I believe that
9 this witness is exceptionally well qualified to handle
10 the confidentiality issues that may be applied.

11 THE WITNESS: Sure.

12 JUDGE HATCHER: Okay. Go ahead.

13 BY MR. CLIZER:

14 Q. I am going to proceed slowly just in case. As
15 far as the foundation goes, you were the one who signed
16 this DR, correct?

17 A. I am.

18 Q. All right. Starting with the S&P report for
19 Spire Missouri turning to page 8 --

20 A. Got it.

21 Q. -- you would agree with me again is Spire
22 Missouri's S&P anchor rating the same as its stand-alone
23 credit profile?

24 A. The Spire stand-alone group credit profile is
25 A-. So yes, the stand-alone credit profile is A-.

1 Q. It is correct that S&P adjusts Spire
2 Missouri's stand-alone credit profile two notches
3 downward to its status within the overall Spire, Inc.
4 group, right?

5 A. I have -- I think we've gone through this in
6 prior testimony back and forth, and I would disagree
7 with that. You are using group credit and issuer credit
8 profiles. Those are not used by the capital markets.

9 Q. All right. At a minimum, you would agree with
10 me that under stand-alone credit -- on the bottom of
11 page 8 it reads stand-alone credit profile A+, group
12 credit profile A-, entity status within group core and
13 then parentheses minus two notches from SACP, which
14 again would stand for Stand-Alone Credit Profile. You
15 would agree with me that that's what this paper says?

16 A. Yes.

17 Q. Thank you. Do you have a copy of your
18 surrebuttal?

19 A. I don't.

20 Q. Or maybe I do. Sorry. Can you turn to page 8
21 for me? Are you there?

22 A. Yep.

23 Q. Starting at line 23 of page 8 and continuing
24 to line 6 of page 9, would you agree with me that it
25 reads there are a number of factors that underpin S&P's

1 rating methodology including liquidity, governance,
2 regulatory consistency, financial stability and
3 operating efficiency. S&P tracks numerous financial
4 metrics besides the capitalization ratio and also
5 reconciles a company's posted financial statements to
6 its preferred presentation before adjudging any metrics.
7 Unfortunately, Mr. Murray dwells on only one of many
8 factors (capital structure) which he fails to accurately
9 explain while ignoring the other factors involved in
10 such an analysis by S&P.

11 MR. CARO: Some of that -- I guess I want to
12 be cautious here because I saw some of that -- Is some
13 of this considered confidential as marked as
14 confidential?

15 MR. CLIZER: I do apologize. I actually
16 didn't see the double asterisks at the beginning.

17 THE WITNESS: Go ahead.

18 JUDGE HATCHER: My apologies to the Company.
19 We're here now. Go ahead, Mr. Clizer.

20 THE WITNESS: The reports, analyst reports are
21 under a paywall so there's disclaimers on the use of
22 them in public.

23 THE COURT REPORTER: I'm sorry. Can you speak
24 up, please?

25 THE WITNESS: Never mind.

1 BY MR. CLIZER:

2 Q. All right. If we compare page 8 of the
3 Missouri S&P report to page 8 of the Spire, Inc. S&P
4 report, you would agree with me, for example, that the
5 country risk is the same?

6 A. I don't have the Spire, Inc. report in front
7 of me.

8 Q. It's attached to the back of the --

9 A. The one you gave me before?

10 Q. Yes. Both of them are in there.

11 A. They're both in the same exhibit?

12 Q. Yes.

13 A. Okay.

14 Q. You would agree with me that comparing Spire
15 Missouri to Spire, Inc., the country risk is the same?

16 A. Yes.

17 Q. And the industry risk is the same?

18 A. Yes.

19 Q. And the competitive position is the same?

20 A. Yes.

21 Q. And the diversification portfolio effect which
22 is on page 8 of Missouri and page 9 of Spire, Inc. is
23 the same?

24 A. Yes.

25 Q. And the financial policy is the same?

1 A. Yes.

2 Q. And liquidity is the same?

3 A. You skipped over one.

4 Q. I did skip over one. But you would agree the
5 liquidity is the same?

6 A. Yes.

7 Q. And the management and governance is the same?

8 A. Yes.

9 Q. And the comparable rating analysis is the
10 same?

11 A. Yes.

12 Q. And the only difference is the financial risk
13 or rather cash flow/leverage?

14 A. Yes.

15 Q. Which is significant for Spire, Inc. and
16 intermediate for Spire Missouri?

17 A. You did skip over one though, right?

18 Q. I believe I skipped over cash flow/leverage.

19 A. Capital structure.

20 Q. Well, that's the one we're referring to.

21 A. Okay.

22 Q. That is the only difference?

23 A. The capital structure is the only difference?

24 Q. Yes. I see. I apologize. You would agree
25 capital structure is the same?

1 A. Yes, they both say neutral no impact.

2 Q. Right. The cash flow/leverage is the only
3 difference?

4 A. For the financial policy?

5 Q. For the rating score snapshot. The only
6 difference between Spire Missouri and Spire, Inc. with
7 regard to their issuer credit rating is the cash
8 flow/leverage?

9 A. Under financial risk.

10 Q. Under financial risk, yes.

11 A. One is significant. One is intermediate.

12 Q. Which one is significant? Which one is
13 intermediate?

14 A. Spire, Inc. is significant.

15 Q. Will you turn to page 16 of your surrebuttal.
16 Now this time I do see that there's some confidentiality
17 here which I'm about to question about.

18 MR. CLIZER: Please give me one moment, Your
19 Honor.

20 JUDGE HATCHER: For those on WebEx or
21 listening on the live stream, the attorneys are
22 conferring about some confidential information.

23 BY MR. CLIZER:

24 Q. In order to avoid confidentiality and having
25 to go in camera, this question is posed in reference to

1 lines 3 through 13 of page 16 and I will assume that the
2 parties will be able to read the testimony and get at
3 what I'm attempting to ask. Mr. Woodard, you would
4 agree with me that Spire, Inc. is currently committed to
5 maintaining its current investment grade credit rating
6 of A-?

7 A. Spire, Inc.'s current rating of A-. I don't
8 regard Spire, Inc. having a current rating of A-. I
9 regard it as its bond rating which is BBB+.

10 MR. CLIZER: I'd like to mark another exhibit.
11 Should be 235.

12 BY MR. CLIZER:

13 Q. Mr. Woodard, you would agree with me that this
14 is a copy of a financial strategy presentation provided
15 to Spire, Inc.'s Board of Directors on December 21 that
16 was provided in response to OPC's Data Request 3036?

17 A. Yes.

18 MR. APLINGTON: Before we go further, Your
19 Honor, I'd like to note that this is marked at the top
20 of the document as attorney/client and work product
21 privilege.

22 JUDGE HATCHER: So noted.

23 MR. CLIZER: Unfortunately, Your Honor, I'd
24 like to go in camera for one question. I apologize. Or
25 alternatively the question is just to identify the

1 statements in the document itself that's been provided
2 by Spire. I mean, I can just move to admit the document
3 and then we won't have to ask the question on the record
4 because --

5 JUDGE HATCHER: I will state again the
6 Commission has a strong position on keeping all of its
7 proceedings in the public eye. If there is a possible
8 way for you to ask that and I would look to Spire --
9 I'll let the attorneys talk.

10 BY MR. CLIZER:

11 Q. Turning to page 13 of the document and
12 reviewing that first bullet point, does that change your
13 answer to the previous question?

14 A. No.

15 MR. CLIZER: I'm just going to go ahead and
16 offer 234 and 235 and see if I can close down this line
17 of questioning. I will address my point more thoroughly
18 in the brief.

19 JUDGE HATCHER: Okay. We have -- We're going
20 to go one at a time.

21 MR. CLIZER: Absolutely.

22 JUDGE HATCHER: We have Exhibit 234.

23 MR. CLIZER: Which probably should be marked
24 confidential.

25 JUDGE HATCHER: That's Data Request 3043.

1 MR. APLINGTON: The S&P report should be
2 marked as confidential. No objection there.

3 JUDGE HATCHER: Exhibit 234 confidential
4 marked as confidential is Data Request 3043. Are there
5 any objections to the admission of Exhibit 234 marked
6 confidential?

7 MR. CARO: No objection.

8 MS. BOCKSTRUCK: No.

9 MR. THOMPSON: No objection.

10 JUDGE HATCHER: So admitted.

11 (OPC'S EXHIBIT 234C WAS RECEIVED INTO EVIDENCE
12 AND MADE A PART OF THIS RECORD.)

13 JUDGE HATCHER: Exhibit 235 which will also be
14 marked confidential? I'm looking for confirmation.

15 MR. CLIZER: Yes.

16 MR. APLINGTON: Your Honor, what I would
17 suggest is that on Exhibit 235 the exhibit be the title
18 page of the presentation and then page 13 which is the
19 page that was referenced with the witness only.

20 MR. CLIZER: There are additional questions I
21 have for other witnesses on this issue that refer back
22 to this document.

23 MR. APLINGTON: Let's add pages as we get to
24 them.

25 MR. CLIZER: I would prefer to take the entire

1 document. Consider it the requirement of having a
2 complete record.

3 JUDGE HATCHER: Why?

4 MR. CLIZER: You yourself pointed out the
5 other day of having a complete record. I can't remember
6 if it was the other day or the day previous.

7 JUDGE HATCHER: Yes. That's just a phrase,
8 Mr. Clizer. Why is this entire package being added
9 making a complete record? And in the alternative, Mr.
10 Aplington, why doesn't a highly confidential designation
11 satisfy?

12 MR. APLINGTON: Your Honor, as the document is
13 marked as both attorney/client privilege and work
14 product privilege, I would prefer that if we're going to
15 use it we only use those pages that have actually been
16 asked about, have actually proceeded into the record.

17 MR. CLIZER: This document outlines Spire's
18 financial -- Spire, Inc.'s, let me be clear, financial
19 strategy planning for the test year period and it
20 reflects specifically on the OPC's argument regarding
21 the fact that Spire, Inc. is seeking to subsidize itself
22 through Spire Missouri. As far as regarding privilege,
23 that was waived with production of the document.

24 JUDGE HATCHER: I'm going to take that under
25 advisement. For now we're going to go one page at a

1 time. And I'll decide about the SR 2021 Financing
2 Strategy Board Education-December 2020 document at a
3 later point in time. Let's move forward. We have our
4 one page 13 so far. We're going to have each of these
5 as a stand-alone exhibit. So Exhibit 235 marked
6 confidential consisting of two pages, the cover page and
7 page 13 which Mr. Woodard was just questioned about, are
8 there any objections to the admission of Exhibit 235 as
9 I have defined it?

10 MR. APLINGTON: As marked confidential.

11 JUDGE HATCHER: Yes.

12 MR. APLINGTON: No objection.

13 JUDGE HATCHER: Hearing none, so admitted.

14 (OPC'S EXHIBIT 235C INCLUDING THE COVER PAGE
15 AND PAGE 13 WERE RECEIVED INTO EVIDENCE AND MADE A PART
16 OF THIS RECORD.)

17 JUDGE HATCHER: Mr. Clizer, your witness.

18 MR. CLIZER: Thank you, Your Honor.

19 BY MR. CLIZER:

20 Q. I hadn't intended to cross on this point.
21 However, given Mr. Thompson's line of cross, can you
22 please turn to Schedule AWW SR-2.

23 A. Got it.

24 Q. With regard, and I'm going to -- I'm not even
25 sure this is confidential. Just to be sure, I'm not

1 going to refer to specific numbers. With regard to the
2 pro forma long-term debt issuance, when was that debt
3 issued?

4 A. That issue was in the second week of May 2021.

5 Q. It was not issued in September of '19,
6 correct?

7 A. The pro forma long-term debt issue on this,
8 referred to on this page?

9 Q. Yes.

10 A. That was --

11 Q. It was not issued in September of '19?

12 A. No.

13 Q. All right. Thank you. Do you have a
14 calculator?

15 A. I don't.

16 Q. Can you pull up the calculator on that
17 computer in front of you? For September of '19 on this
18 schedule, what percentage did the assets supported by
19 STD, which stands for short-term debt, make up out of
20 the average notes payable? I want just those two
21 numbers.

22 A. The assets, you want me to calculate it?

23 Q. Yes, please.

24 A. Why don't you just give me the calculation.

25 Q. I honestly don't have it in front of me.

1 A. Okay.

2 MR. CARO: Can we reference a page number of
3 this exhibit and what you're referring to, please?

4 MR. CLIZER: Page 1 of the schedule, September
5 '19 column.

6 THE WITNESS: So what number would you like?

7 BY MR. CLIZER:

8 Q. The assets supported by short-term debt out of
9 the average notes payable.

10 A. So you're doing it on a calculator but you
11 want me to do it on a calculator too?

12 Q. Yes.

13 A. Assets supported by short-term debt. What was
14 the other input that you'd like?

15 Q. Average notes payable. Would you agree with
16 me that it's about 23 percent?

17 A. Yes.

18 Q. Okay. Thank you. Would you agree with me
19 that if we were to do the same calculation for all the
20 other months before May, we'd come to a roughly similar
21 number?

22 A. The months before May of 2021?

23 Q. Of 2019 through 2020 through 2021, all the
24 months that are on this schedule.

25 A. Uh-huh.

1 Q. If I take the assets supported by short-term
2 debt, I'd say what percentage of that makes up the
3 average notes payable, it's going to be in the 30
4 percent range. Would you agree with that?

5 A. I haven't done all the calculations, but it
6 sounds like you have.

7 Q. Yes.

8 A. Did you have something to bring then to
9 support for that?

10 Q. I don't need to. You have presented the
11 schedule.

12 A. I presented the schedule as is.

13 Q. You would agree with me that if you remove
14 that pro forma adjustment that you made December '19,
15 only about 23 percent of your short-term assets would be
16 supported -- or the short-term debt would only be
17 supported by 23 percent?

18 A. You want me to remove something from the
19 schedule that I offered?

20 Q. I want to point out that if you remove that
21 pro forma adjustment, which didn't happen until May, 70
22 percent of your debt was supporting rate base?

23 A. That's untrue.

24 Q. Just did the math that showed it was true. If
25 you remove that pro forma adjustment, 70 percent of your

1 assets was not supporting short-term debt?

2 A. Those assets are in rate base.

3 Q. I don't know that we would disagree.

4 A. I'm sorry. You're asking to change a schedule
5 that I offered. I don't really get where you're coming
6 from.

7 MR. CLIZER: That's fine. I'll explain it in
8 the brief if necessary. No further cross.

9 JUDGE HATCHER: Thank you. That brings us to
10 Commissioner questions. Are there any Commissioners
11 that have questions for Mr. Woodard? Hearing none, the
12 Judge does have a few questions.

13 QUESTIONS BY JUDGE HATCHER:

14 Q. I'm looking for two numbers, Mr. Woodard.
15 What was Spire Missouri's short-term debt as of two
16 dates, as of December 31, 2020 and as of May 31, 2021?

17 A. Let me see if I can grab those. May 2021 at
18 the true-up, 433,525,000.

19 MR. CARO: I'm sorry. I couldn't hear that
20 number again.

21 THE WITNESS: 433,525,000.

22 MR. CARO: And that was on what date?

23 THE WITNESS: That's actual May 2021 at the
24 true-up. Average notes payable that's on page 7 of 7 of
25 AWW SR-2. I got out of date here. Hold on a second. I

1 think I'm missing a page. I apologize, Judge. Can
2 someone supply page 4 for the December number? Thank
3 you.

4 Let me make sure I'm lining this up right.
5 December 2020 average notes payable 393,675,000.

6 BY JUDGE HATCHER:

7 Q. Thank you. Do you know what percentage of
8 Spire, Inc.'s consolidated structure is allocated to
9 non-regulated businesses?

10 A. A percentage of our capital? I'm sorry.

11 Q. Of your consolidated structure. So I believe
12 at the holding company level that capital structure and
13 then what percentage of that is allocated to
14 non-regulated entities?

15 A. Yeah. So we think about the non-regulated
16 entities and it's cited in the rating agency reports as
17 being than 10 percent of the overall company. I think
18 that's an appropriate way to think about it. Each
19 individual regulated or non-regulated company has a
20 different cap structure. Sometimes they're just book
21 cap structures inside of the holding company. For
22 instance, Spire Marketing has 100 percent equity from a
23 non-regulated business.

24 Q. Okay. I'm going to switch to some legislative
25 changes. I'm going to talk about the gas ISRS. Are you

1 familiar with that?

2 A. Yes.

3 Q. Okay. For everyone listening online, this is
4 a piece of legislation that went into effect August 28,
5 2020. Mr. Woodard, have those changes to the statute
6 increased the number of projects or replacements that
7 Spire can recover through the Infrastructure System
8 Replacement Surcharge, ISRS?

9 A. Has it replaced -- increased the number?

10 Q. Has it increased the number?

11 A. Of projects? It allows us to particularly --
12 well, the ISRS is for pipeline replacement. As much as
13 we're trying to get that done more quickly, that has
14 stepped up over the last handful of years.

15 Q. Now my question is, did this legislation
16 increase the number of projects that you can do?

17 A. The most recent legislation?

18 Q. Uh-huh. 2020.

19 A. We have not filed an ISRS under that
20 legislation yet.

21 Q. I understand. Hypothetically did the
22 legislation increase that number of projects?

23 A. It could. It could.

24 Q. Did you do any calculations on your return on
25 equity to account for that potential increase from the

1 new legislation?

2 A. The impact of the new legislation on return of
3 equity, no, I have not.

4 Q. Can I ask why not?

5 A. I think it's an interesting suggestion, but
6 it's not something -- I don't think it would materially
7 change what our plans would be. Again, these are
8 pipeline replacement we're undertaking really for the
9 safety and soundness of the system. So we'd like to do
10 it as quickly as we possibly can in a reliable and
11 balanced way. So that is a -- I don't think the new
12 legislation would change our plans materially one way or
13 another, but it could step up the pace a little bit.

14 Q. Is our discussion in the last few moments the
15 first that you have considered if this rate case would
16 be impacted by that legislation?

17 A. If this rate case would be impacted by that
18 legislation? Yeah, I had not really thought about its
19 impact on ISRS, that would be correct.

20 Q. Okay. I believe this is my last question.
21 There has been a lot in testimony and said today about
22 Spire Missouri's capital structure. I have three
23 questions. No surprise. I'm just going to give them
24 all to you at once and then you take them. Is Spire
25 Missouri keeping its capital structure at a certain

1 level on purpose? What are the benefits, if that is
2 what's happening and what are the risks?

3 A. Great question, Judge. So we are -- We do
4 actively manage Spire Missouri's capital structure, and
5 I would point out that at times we exceed the equity
6 that we're asking for here. That's apparent in the
7 schedules as well. We feel like we're striking the
8 right conservative balance with the capital structure in
9 that we are providing an economic product to our
10 ratepayers and then also bolstering the resiliency and
11 sustainability of the company as well against unforeseen
12 market issues, unforeseen operational issues. One of
13 those being just in the true-up period Winter Storm Uri
14 impacted utilities throughout the mid continent
15 including us. Fortunately we were less impacted than
16 some of the rest of the peer group that, you know, were
17 able -- And I would point out that some of the peers
18 were able to more fully withstand very significant
19 operational impacts because they had high equity capital
20 structures in their cap structure. So we really do look
21 at that balance when we're coming to the -- managing to
22 the right structure and then we are -- Spire Missouri is
23 issuing its own debt and then we're retaining equity,
24 and that alone is able to -- we're able to support the
25 capital program that we've undertaken we just talked

1 about that goes into quite a bit of several years into
2 the future as well. But it does allow for we feel a
3 balanced cap structure for that financing on a going
4 forward basis that will be required to go through the
5 system replacements.

6 Q. Is there a down side?

7 A. We don't think so. We don't think so.

8 Q. When I first started looking over this issue
9 that was raised, I saw it as two. Is Spire Missouri
10 targeting a specific ratio and is that a problem, and
11 what occurred to me was an analogy with the speed limit.
12 Mr. Clizer has posited that what I would say setting the
13 speed limit is the Commission being in charge of setting
14 the Company's business decisions. And I hadn't been
15 able to shake that analogy. Would you educate me on if
16 I'm wrong on that?

17 A. Setting the speed limit as far as -- it's a
18 curious -- I think in most instances utilities are
19 encouraged to have a fairly robust capital structure
20 because we are by our nature are more conservatively
21 managed and so you do have a benefit of that in your
22 cost of debt. We can raise debt more cheaply that way.
23 And it does -- it impacts our ability to access the
24 market. As far as setting the, like I just mentioned,
25 setting a speed limit, certainly market conditions could

1 dictate potentially lower capital structure. It's a
2 curious point in time to take that tact as well given
3 that we are at a point in the market where, you know,
4 there's still some very significant equity dislocations
5 that's been written about by all of the parties to this
6 testimony. And that's not -- That doesn't suggest
7 lowering or leveraging up the cap structure for the
8 benefit of ratepayers. That is more suggestive of
9 taking on more risk for ratepayers, and I think it would
10 in the end add more cost to ratepayers, not decrease
11 cost to ratepayers.

12 JUDGE HATCHER: Okay. That's all the
13 questions I had. That does trigger our recross and that
14 would go to Mr. Thompson first.

15 MR. THOMPSON: No questions, Judge. Thank
16 you.

17 JUDGE HATCHER: Mr. Clizer.

18 RE-CROSS-EXAMINATION BY MR. CLIZER:

19 Q. Mr. Woodard, you would agree with me that
20 having a higher equity ratio increases your overall
21 revenue requirement, right?

22 A. Correct.

23 Q. You would agree with me that a higher revenue
24 requirement increases the amount of funding that goes to
25 your shareholders?

1 A. Yes.

2 Q. Your sole shareholder in this case -- The sole
3 shareholder of Spire Missouri is its parent, Spire,
4 Inc.?

5 A. It increases the funding that goes to the
6 organization. It doesn't necessarily increase the
7 dividend to the Spire, Inc.

8 Q. I believe you mentioned Spire Marketing in
9 conversation with the Judge; is that correct?

10 A. Correct.

11 Q. Spire, Inc. has been increasing its parental
12 guarantees to Spire Marketing, correct?

13 A. That's true.

14 MR. CLIZER: No further questions. Thank you.

15 THE WITNESS: Okay.

16 JUDGE HATCHER: Redirect, Mr. Caro?

17 MR. CARO: Yeah, just a couple questions.

18 REDIRECT EXAMINATION BY MR. CARO:

19 Q. Mr. Woodard, Hope and Bluefield cases allow a
20 return that maintains financial integrity. Would
21 maintaining an A- rating, would that be the goal of the
22 Commission as well?

23 A. We'd like to maintain our current ratings,
24 yes.

25 Q. We talked about short-term debt. Two dates

1 does not reflect a fluidity of the short-term debt over
2 the year, does it?

3 A. It doesn't. In fact, we modeled in my
4 testimony the approach that the Commission took last
5 time they described as a point in time analysis and so
6 we offered that up again obviously because that did go
7 into our thinking of how to think about short-term debt
8 and manage short-term debt appropriately.

9 Q. Also, it does not finance rate base, does it?

10 A. It does not.

11 Q. And one other question. ISRS is common, a
12 program such as that, is common in the proxy group. So
13 there would not be a meaningful difference in ROE, would
14 there?

15 A. No. Those kind of riders are very common
16 within the proxy group.

17 Q. And can you please explain some of the uses of
18 short-term debt?

19 A. Short-term debt is typically as was referenced
20 by Mr. Clizer fund construction work in progress but
21 also other short-term assets. One of the reasons why
22 it's fairly high in May is that we continue to hold
23 balances from the Winter Storm Uri, fairly significant
24 balances and that is another use of short-term debt to
25 carry those balances.

1 MR. CARO: Thank you. No further questions.

2 JUDGE HATCHER: Thank you, Mr. Woodard. You
3 are excused.

4 (Witness excused.)

5 JUDGE HATCHER: I'd like to take our break
6 now. We have two more witnesses. We've been going for
7 about an hour and thirty-five minutes. This seems like
8 a good halfway point. It's 10:35 now. Let's call it
9 10:45, ten minutes. We're at recess and off the record.

10 (Off the record.)

11 JUDGE HATCHER: Let's go back on the record
12 our recess having expired. We are on our final two
13 witnesses for the last issue of the hearing in Spire's
14 general rate case that is captioned GR-2021-0108.
15 Currently we are on cost of capital. This is issue
16 number one and we are ready to take testimony from
17 Dr. Won. Dr. Won, please raise your right hand.

18 (Witness sworn.)

19 JUDGE HATCHER: Thank you. Please have a seat
20 and state and spell your name for the court reporter.

21 THE WITNESS: My name is Seoung Joun,
22 S-e-o-u-n-g J-o-u-n and Won, last name Won, W-o-n.

23 JUDGE HATCHER: Staff's witness.

24 MR. THOMPSON: Thank you, Judge.

25 S E O U N G J O U N W O N,

1 being sworn, testified as follows:

2 DIRECT EXAMINATION BY MR. THOMPSON:

3 Q. Dr. Won, tell me how you're currently
4 employed.

5 A. Missouri Public Service Commission.

6 Q. What is your title?

7 A. Regulatory Compliance Manager.

8 Q. Are you, in fact, in charge of the group that
9 does financial analysis?

10 A. Yes.

11 Q. And did you prepare or cause to be prepared
12 Exhibits 124, rebuttal testimony, and 139, surrebuttal
13 testimony?

14 A. Yes.

15 Q. And did you contribute to Exhibit 101 public
16 and confidential Staff's Revenue Requirement Cost of
17 Service Report?

18 A. Yes.

19 Q. And do you have any corrections to any of
20 those?

21 A. Yes, I have.

22 Q. I think I have copies of your corrections. Do
23 you have a copy of yours of your corrections?

24 A. Yes, so I have some.

25 Q. Just a moment. Let me hand these out so that

1 our viewers can read along with us. I've just handed
2 out a sheet that's marked Error Corrections Seoung Joun
3 Won.

4 MR. THOMPSON: Should we mark this as an
5 exhibit, Judge?

6 JUDGE HATCHER: I was going to ask you first.
7 Yes.

8 MR. THOMPSON: I would be most comfortable if
9 we did. Let's see if I can figure out -- I think
10 Staff's next exhibit is 144.

11 JUDGE HATCHER: That's also what I have.

12 BY MR. THOMPSON:

13 Q. Okay. So looking at Staff Exhibit 144, you
14 have six corrections marked on here; is that correct?

15 A. Yes.

16 Q. And that would be in the revenue requirement
17 cost of service report page 18, line 21, instead of
18 2028, it should be 1928?

19 A. Yes.

20 Q. And in Appendix 2, Schedule SJW-11, first
21 table, Row 3 and Column 1, instead of 0.2%, 2.00%?

22 A. Yes.

23 Q. And Appendix 2, Schedule SJW-11, footnotes 1,
24 2, 4, and 5, instead of 2021, it should be 2020 and
25 2021?

1 A. Yes.

2 Q. And in Appendix 2, Schedule SJW-12, the first
3 table, instead of 10/01/20 to 12/31/21, it should be
4 1/1/21 to 3/31/21?

5 A. Yes.

6 Q. And in Appendix 2, Schedule SJW-13, first
7 table, instead of June, July, and August 2020, it should
8 be January, February, and March 2021?

9 A. Yes.

10 Q. And in rebuttal testimony on page 17, line 10,
11 instead of Figure 4, it should be Figure 5?

12 A. Yes.

13 Q. Do you have any other corrections or changes
14 to your items of testimony that I listed?

15 A. No.

16 Q. And with those corrections in mind, if I asked
17 you the same questions today, would your answers be the
18 same?

19 A. Yes.

20 Q. And are they true and correct, to the best of
21 your knowledge and belief?

22 A. Yes.

23 MR. THOMPSON: At this time, Your Honor, I
24 would move the admission of Staff Exhibit 101 P and C,
25 Staff Exhibit 124, Staff Exhibit 139.

1 JUDGE HATCHER: And Exhibit 144?

2 MR. THOMPSON: And Exhibit 144. I'm sorry.
3 Thank you.

4 JUDGE HATCHER: Okay. I am going to repeat
5 that as counsel looks over their notes. I have Exhibit
6 101. That is the Staff Report Cost of Service. Any
7 objections to the admission of Staff Exhibit 101?
8 Hearing none, it is so admitted.

9 (STAFF EXHIBITS 101C AND 101P WERE RECEIVED
10 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

11 JUDGE HATCHER: We will take the testimonies
12 together as one question. Are there any objections to
13 the admission of Dr. Won's various testimonies which are
14 marked as Exhibits 124, 139 with corrections on Exhibit
15 144? Any objections to any of those?

16 MR. CARO: No objections.

17 JUDGE HATCHER: No objections heard, it is so
18 admitted.

19 (STAFF EXHIBITS 124, 139 AND 144 WERE RECEIVED
20 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

21 JUDGE HATCHER: Mr. Thompson.

22 MR. THOMPSON: Thank you, Judge. I wonder if
23 I could ask your indulgence. I noticed that Exhibit
24 104P and C which is Staff's Class Cost of Service and
25 Rate Design Report has not been offered or admitted.

1 That is a crucial piece of testimony. I wonder if I
2 could offer that at this time.

3 JUDGE HATCHER: I think you can. Exhibit 104
4 has been offered into the evidentiary record. Are there
5 any objections?

6 MR. CARO: No objections.

7 JUDGE HATCHER: None heard, so admitted.

8 (STAFF'S EXHIBITS 104C AND 104P WERE WAS
9 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

10 MR. THOMPSON: Thank you very much. I tender
11 the witness for cross-examination.

12 JUDGE HATCHER: We'll go to the Company. Mr.
13 Caro.

14 MR. CARO: Thank you.

15 CROSS-EXAMINATION BY MR. CARO:

16 Q. Good morning, Dr. Won.

17 A. Good morning.

18 Q. My name is Frank Caro. I'm counsel on behalf
19 of Spire Missouri.

20 A. Nice to meet you.

21 Q. I want to turn to your testimony. I believe
22 it's SJW-15 is an exhibit.

23 A. Yes.

24 Q. In there you are recommending an ROE of 9.37
25 percent, correct?

1 A. Yes.

2 Q. Please turn to page 6 of your rebuttal
3 testimony beginning at line 2.

4 A. So which page, please?

5 Q. Page 6 of your rebuttal beginning at line 2.
6 There you compare Mr. D'Ascendis' recommended ROE of
7 9.95 to the average authorized ROEs granted to other
8 utilities in 2020. Do you see that?

9 A. Page 6, line 2 and line 3?

10 Q. Line 2.

11 A. So I think line 2 and line 3 I said what you
12 said.

13 Q. So my question is there you compare Mr.
14 D'Ascendis' recommended ROE of 9.95 to the average
15 authorized ROEs granted to other utilities in 2020; is
16 that correct?

17 A. Yes.

18 Q. Thank you. And you state that the average
19 authorized ROE for fully litigated cases in 2020 was
20 9.44 percent; is that correct?

21 A. Yes.

22 Q. And you cite the S&P Global Market
23 Intelligence as the source of that information that's in
24 footnote 10 down below. Do you see that?

25 A. Yes.

1 MR. CARO: Judge, I'm going to mark an exhibit
2 I believe it's Exhibit No. 51.

3 JUDGE HATCHER: That's what I have. So
4 marked.

5 MR. CARO: May I approach the witness?
6 BY MR. CARO:

7 Q. Dr. Won, I've handed you what's been marked as
8 Spire Exhibit No. 51. Are you familiar with this
9 report?

10 A. Yes.

11 Q. And it is the July 27, 2021 Regulatory Focus
12 Report published by S&P Global Market Intelligence, is
13 it not?

14 A. Yes.

15 Q. This is a more recent version of what you
16 cited in your testimony; isn't that correct?

17 A. I cited by basic level data, but I think this
18 version is consistent with that data.

19 Q. So what is the average ROE authorized for gas
20 utilities for cases decided in the first half of 2021?
21 I'll point to you in general rate cases in 2021 the
22 number 9.62 percent; is that correct? I can highlight
23 that so we can --

24 A. Yes, please.

25 Q. So my question is, is the average for the

1 first half of general gas rate cases is 9.62, correct?

2 A. Yes.

3 Q. And for the fully litigated cases it's 9.61,
4 correct?

5 A. Yes.

6 Q. So that would indicate that gas ROEs were
7 trending higher; is that correct?

8 A. For first quarter 2021, but I calculated
9 second quarter 2021 authorized ROE research that goes
10 down.

11 Q. Do you have that number?

12 A. Yes.

13 Q. What is that number?

14 A. Average 9.48.

15 Q. Where is that published?

16 A. This is basic level of data of S&P Global.

17 Q. This report Exhibit No. 51 is dated July 27,
18 '21?

19 A. Yes.

20 Q. That was ten days ago, correct?

21 A. Yes. And then that report about first quarter
22 and then my number that is second quarter research.

23 Q. If you look at the same report that I just
24 handed you and it says LTM ended 6/30/2021, and that
25 number is what on that report?

1 JUDGE HATCHER: Mr. Caro, where are you
2 looking?

3 MR. CARO: I'm on the Exhibit 51 on the first
4 page, Judge, and you see a number first half of 2021
5 9.62 of general gas averages.

6 JUDGE HATCHER: I see. Thank you.

7 THE WITNESS: And then you're talking about
8 next column?

9 MR. CARO: Yes.

10 THE WITNESS: So that number general rate
11 cases 9.55. Fully litigated cases, 9.56. That means
12 after first quarter averages decreased. That means
13 second quarter number is decreased.

14 BY MR. CARO:

15 Q. The first column there -- the middle column
16 says the first half of 2021; isn't that correct?

17 A. Yes, you are right.

18 MR. CARO: At this time I'd move to admit
19 Exhibit No. 51.

20 JUDGE HATCHER: Any objections? None heard.
21 So admitted. Go ahead.

22 (SPIRE'S EXHIBIT 51C WAS RECEIVED INTO
23 EVIDENCE AND MADE A PART OF THIS RECORD.)

24 MR. CARO: Thank you. It's been brought to my
25 attention that this exhibit should be marked as

1 confidential also, Judge, because of the information on
2 the back of it.

3 JUDGE HATCHER: Thank you. I failed to note
4 for the record Exhibit 51 is confidential. Exhibit 2
5 confidential. So marked. Go ahead. Thank you.

6 BY MR. CARO:

7 Q. Mr. Won, let's turn now to your analysis. In
8 order to arrive at Staff's recommended ROE of 9.37, you
9 compared the results of Staff's 2017 DCF and CAPM models
10 as corrected to the results of Staff's 2021 DCF and CAPM
11 models and determined that the average difference in the
12 models from 2017 to 2021 was -43 basis points, correct?

13 A. Yes.

14 Q. And is that stated -- That is set out in your
15 exhibit Schedule SJW-15, correct?

16 A. Yes.

17 Q. And then you subtracted the 43 basis points
18 from the 2017 allowed ROE of 9.8 percent to arrive at
19 Staff's recommended number of 9.37; is that a fair
20 summary?

21 A. Yes.

22 Q. A summary of those results, as I said, is set
23 forth on SJW-15, correct?

24 A. Yes.

25 Q. Can we look at -- Let's look at SJW-15.

1 Noting that the average result of the 2017 models was
2 7.68 percent, the average result of the 2021 models was
3 7.25 percent referring to A and D on the schedule,
4 Judge.

5 JUDGE HATCHER: Thank you.

6 BY MR. CARO:

7 Q. The difference between the 2017 and the 2021
8 numbers is -.43 percent, and 9.8 percent less 43 equals
9 9.37 percent, correct, that's how you arrived at that
10 number?

11 A. Yes, sir.

12 Q. I want to also look at number G. There's a
13 note on the bottom of that exhibit there. It says that
14 to arrive at G, you subtract F minus C; is that right?

15 A. No, it's wrong.

16 Q. It's wrong. Okay. What should it be?

17 A. It should D minus A.

18 Q. So we should correct that on that schedule?

19 A. Yes.

20 Q. If we look at the difference between the
21 estimated cost of equity in 2017, line A of that
22 exhibit, and the authorized ROE in 2017, line H. So
23 looking at Exhibit No. SJW-15 again, we're going to stay
24 with 15.

25 A. Okay.

1 Q. And you're looking at line A and the
2 authorized ROE in line H. Okay. We take 9.80 and minus
3 the 7.68 and you get to 2.12, correct?

4 A. Excuse me.

5 Q. Line A.

6 A. Right, line A.

7 Q. And then you subtract line H?

8 A. Yes.

9 Q. And you get to 2.12 percent, correct?

10 A. Yes.

11 Q. So if we look at the difference between the
12 estimated cost of equity in 2021, line D now, okay, and
13 the recommended ROE in 2021, line I. So we take the
14 9.73 percent minus the 7.25 percent, that equals 2.2
15 percent, correct?

16 A. 2.12?

17 Q. Yes.

18 A. Yes.

19 Q. So another way to view Staff's methodology is
20 to add 2.12 percent to the average results of Staff's
21 DCF and CAPM model, correct?

22 A. So brief calculation, yes, you are right, but
23 Staff's authorized ROE is not simple calculation. This
24 is just estimation procedures.

25 Q. Thank you. Let's look at your Exhibit SJW-13.

1 Excuse me. Let's turn to SJW-12 first. If you turn to
2 SJW-12, your exhibit, you used prices for your proxy
3 group for April through June of 2017 and January through
4 March of 2021, correct?

5 A. Yes.

6 Q. And you provided Value Line work papers to the
7 Company in response to discovery; is that correct?

8 A. One of Value Line report, yes.

9 Q. I want to give you back the Value Line work
10 papers you produced, and so they are the Value Lines for
11 December of 2016 and August of 2020. Those were the
12 work papers that you provided, correct?

13 A. So I -- yes.

14 Q. So you would agree that your 2017 Value Line
15 work papers are actually dated December 2016?

16 A. So that is what I have, yes, the last case
17 work paper.

18 MR. CARO: Any objections with me handing them
19 to him?

20 MR. THOMPSON: No. Those are his work papers,
21 right? None at all.

22 BY MR. CARO:

23 Q. So you would agree that your 2017 Value Line
24 work papers are actually dated December 2016, correct?

25 A. So I do not know the exact date of

1 publication.

2 Q. It's on the bottom of each of those Value
3 Lines, the very bottom there should be a date.

4 A. Yes, December 2, 2016.

5 Q. Right.

6 A. Yes.

7 Q. Similarly, your 2020 Value Line work paper is
8 from August 28, 2020, correct? I don't know that you
9 have that. That was provided -- I think it's referenced
10 in Mr. D'Ascendis' direct testimony in Exhibit D-3.

11 A. Yes.

12 Q. Which is approximately six months before the
13 price data, correct?

14 A. Yes, you are right.

15 Q. So I'm handing you the Value Line sheets from
16 June 2017 and from February 2021.

17 MR. CARO: May it please the Commission.
18 We're going to mark these as --

19 JUDGE HATCHER: 53 is my next number.

20 MR. CARO: -- 53 which would be the June 2,
21 2017 and the February 26, 2021 is 54.

22 JUDGE HATCHER: Are these confidential?

23 MR. CARO: No, these are Value Line reports.

24 JUDGE HATCHER: Okay.

25 MR. CARO: May I approach?

1 JUDGE HATCHER: Yes, please.

2 BY MR. CARO:

3 Q. Dr. Won, I've handed you what's been marked as
4 the Value Line sheets with concurrent data with your
5 price data specifically June 2, 2017, which is marked as
6 Exhibit 53 and the February 28 Value Line reports marked
7 as Exhibit 54. Would you agree that these are the
8 sheets are concurrent with your price analysis in SJW-12
9 which is your exhibit?

10 A. I agree.

11 Q. Just so for the record people know what are in
12 these reports, these reports that are in these exhibits
13 make up the proxy group, do they not, the proxy group of
14 companies that are used in the DCF analysis, correct?

15 A. Yes.

16 Q. And they're in alphabetical order --

17 A. Yes.

18 Q. -- of the companies?

19 A. Yes.

20 Q. Do you agree that the Value Line data may
21 change over time, for example, in six months the data
22 changes, right?

23 A. I agree.

24 Q. So I'll give you a couple of examples. Could
25 you please look at the Value Line sheet for South Jersey

1 Industries.

2 MR. THOMPSON: What date?

3 MR. CARO: It would be the 2016 Value Line
4 report which was part of your work papers.

5 BY MR. CARO:

6 Q. So we're going to compare the December 26
7 Value Line work paper for South Jersey Industries to the
8 June 2, 2017 work paper just on South Jersey Industries.

9 MR. THOMPSON: Judge, if I could voir dire for
10 a moment.

11 JUDGE HATCHER: Go ahead.

12 MR. THOMPSON: I may have an objection.

13 VOIR DIRE EXAMINATION BY MR. THOMPSON:

14 Q. As I look at this sheet on South Jersey
15 Industries that is part of Spire's Exhibit 53 and I look
16 at the lower right-hand corner for the date, my copy
17 says June 2, 2017. What does yours say, Dr. Won?
18 Does it say June 2, 2017 in the lower right-hand?

19 A. My version have December 2, 2000 something.
20 It's not correct.

21 JUDGE HATCHER: I think Mr. Thompson and
22 myself were confused because it was referred to as one
23 of these exhibits.

24 MR. CARO: Your Honor, just so you know, it's
25 the work papers. It's not the exhibits.

1 JUDGE HATCHER: I'm following now. Go ahead.

2 RESUMED CROSS-EXAMINATION BY MR. CARO:

3 Q. Referring to the Value Line sheet for South
4 Jersey Industries and the December 2016 --

5 A. December 2016?

6 Q. Yes.

7 A. Okay.

8 Q. South Jersey Industries.

9 A. Yes.

10 Q. And you compare that to the June 2, 2017 Value
11 Line. So if you look at the projected dividends per
12 share growth rate in those?

13 A. Yes.

14 Q. And on the December one the projected dividend
15 growth rate is 6.5 percent and on the June 2, 2017 one
16 it is 4 percent, correct?

17 A. You are right.

18 Q. So they've changed.

19 A. Yes, they keep changing.

20 Q. One more example. Please look at SJW-13 which
21 is your exhibit. If you look at ONE Gas there on the
22 December 17 DCF estimate.

23 A. So do you mean my exhibit?

24 Q. Your exhibit SJW-13.

25 A. Okay.

1 Q. Yes. You get there and you look at that and
2 you have there for ONE Gas under the December 17 DCF
3 estimate a 17 percent projected DPS growth rate of 17
4 percent. Do you see that?

5 A. Yes.

6 Q. Then when we look at the June 2, 2017 Value
7 Line sheet, do you have that in front of you, the Value
8 Line sheet for June 2, 2017 and you look at ONE Gas and
9 you look at the projected dividend per share and that's
10 13.5 percent, isn't it?

11 A. Right.

12 Q. So let me ask you this. Have you in reviewing
13 your exhibit number 13, SJW-13, are there corrections to
14 that exhibit that need to be made to update those input
15 numbers?

16 A. I don't think so because I just using the
17 Value Line numbers and then I compare to the last case
18 filed and then this rate case proper time period and
19 that is the best I can do in the direct testimony and
20 then authorized ROEs not simply calculated mathematical
21 formula. Just this is estimation procedures. So I
22 don't need to change anything in here.

23 Q. Let's look at -- So if you look at -- So let's
24 look at SJW-13.

25 A. Yes.

1 Q. And the dividend per share numbers that you
2 used there in that first column under the 2020 DCF
3 estimate?

4 A. You mean the dividend per share?

5 Q. Yes, column one.

6 A. Yes.

7 Q. They start with ATMOS at 2.3.

8 A. Yes.

9 Q. Then New Jersey Resources 1.27, right?

10 A. Yes.

11 Q. If we look at Value Line dated February of
12 2021, that's Exhibit No. 54 in front of you.

13 A. Yes, I have it.

14 Q. So everyone knows in the room, we're comparing
15 SJW-13 exhibit and Exhibit No. 54 on the Value Lines
16 number and that Value Line report --

17 A. Yes.

18 Q. -- is where you obtained those dividend per
19 shares, correct?

20 A. Right.

21 Q. If we look at that and we compare those to
22 Exhibit 54, we start with the first number, the first
23 number there on your report shows Atmos Energy with a
24 dividend per share of what number on your SJW-13?

25 A. 2.3, yes.

1 Q. If we compare that to the Value Line report on
2 the dividend per share, what's that number on Exhibit
3 No. 54?

4 A. 2020 2.3.

5 Q. This is February 26, 2021.

6 A. So I'm saying it's the column for the dividend
7 yield.

8 Q. I thought you just testified that you used the
9 Value Line February 26, 2021, which is marked as Exhibit
10 54?

11 A. Right, yes, this document, yes.

12 Q. And in your report you have it at 2.3, right?

13 A. Yes.

14 Q. Right. On SJW-13. But in reality when I look
15 at Exhibit 54, that number should be 2.5, correct?

16 A. 2.5 is 2021 and then as Value Line described
17 it pull the figure of Value Line estimate. Staff did
18 not use estimate number.

19 Q. But if we go back to -- We talked about
20 updating numbers and updating information. This \$2.50
21 number should be the dividend per share of the February
22 26, correct?

23 A. 2.3, yes.

24 Q. So why are you using 2.3 and not 2.5?

25 A. 2.3 is the historical proven number and then

1 2.5 is in February they estimate. So Staff did not use
2 estimate dividend number.

3 JUDGE HATCHER: For those on the WebEx and
4 listening on the live stream, the counselors are
5 conferring for just a moment. We'll return to
6 questioning.

7 BY MR. CARO:

8 Q. Dr. Won --

9 A. Yes.

10 Q. -- the 2.5 dividend per share number used in
11 Exhibit 54, you're saying that's projected or that's not
12 already distributed?

13 A. So in here what you gave to me there's some
14 explanation for the bold figures are Value Line
15 estimates.

16 JUDGE HATCHER: Dr. Won, would you tell me
17 where you saw that at?

18 THE WITNESS: So in the middle of --

19 JUDGE HATCHER: Thank you, sir. I found it.

20 THE WITNESS: Yes.

21 JUDGE HATCHER: Right underneath the calendar
22 entries for 2021 and 2022, top third of the page.

23 BY MR. CARO:

24 Q. So these are not the dividends that have
25 already been declared?

1 A. I'm not sure. I rely on what Value Line
2 describing.

3 Q. It's not the most relevant information?

4 A. I don't know.

5 Q. Let's move on to your next issue and that's
6 the CAPM, Capital Asset Pricing Model.

7 A. Yes.

8 Q. I notice that you reference SJW-14 there and I
9 draw your attention to that; is that correct?

10 A. Yes.

11 Q. And I draw your reference to the betas used in
12 SJW-14.

13 A. Yes.

14 Q. And those -- That information in SJW-14 comes
15 from Value Line reports?

16 A. No.

17 Q. Was it -- These aren't referenced through the
18 February 2021 and June 17 Value Line reports?

19 A. We didn't directly use printed version of
20 Value Line. As I described in my staff report, we're
21 using the same methodology Value Line date.

22 Q. Looking at Exhibit No. 54.

23 A. Yes.

24 Q. Exhibit No. 54 is the February 26, 2021 Value
25 Line; is that correct?

1 A. That's right.

2 Q. And if we look at the first page of Exhibit
3 No. 54 and we compare that to SJW-14, let's start with
4 the first entry which is Atmos Energy.

5 A. Yes.

6 Q. Do you have that? Okay. Then on Atmos Energy
7 they show -- you show a beta of .65 in SJW-14. Do you
8 see that?

9 A. Yes.

10 Q. And if we looked at Exhibit No. 54 which you
11 stated is the relevant February 26, 2021 Value Line
12 report, the beta in the upper left corner for Atmos
13 Energy is .8, correct?

14 A. Yes.

15 Q. And we can go down the list, go to the next
16 page which is in Exhibit No. 54 which is New Jersey and
17 we look at the beta there and that's .95 --

18 A. Yes.

19 Q. -- versus what you had in exhibit SJW-14 as
20 .93, correct?

21 A. Yes.

22 Q. So the difference in those betas, and so on,
23 and so forth, if we went down the line. If we did the
24 same on SJW-14 and we look at the information provided
25 in the 2017 CAPM estimate, there are betas in column 2

1 there too, correct?

2 A. Yes.

3 Q. Okay. And now turn to Exhibit No. 52 which is
4 the Value Line reports for the proxy companies dated
5 December 2, 2016, correct? Exhibit No. 52.

6 THE WITNESS: Exhibit No. 52?

7 JUDGE HATCHER: 52 is your work papers,
8 Dr. Won.

9 MR. CARO: We've got a different one.

10 THE WITNESS: I have 53 and 54.

11 BY MR. CARO:

12 Q. 53. You're right, Dr. Won.

13 A. 53? Okay. 53.

14 Q. And it's dated June 2, 2017 for the record.
15 If we look at the betas there for Atmos Energy at the
16 top, you have it .69 and they have it at .70, correct?

17 A. Yes.

18 Q. We turn to the next page, New Jersey.

19 MR. THOMPSON: Judge, at this point I'm going
20 to object to relevance. Dr. Won testified that he did
21 not use betas from the Value Line reports.

22 JUDGE HATCHER: Mr. Caro?

23 MR. CARO: The relevance is we're going to
24 show that if you use that and you modify exhibit number
25 14, SJW-14, it comes up with a different number for the

1 capital asset pricing model.

2 JUDGE HATCHER: Can't you just ask him that?

3 BY MR. CARO:

4 Q. Do you agree if you change those -- you
5 interchange those?

6 A. I agree.

7 MS. BOCKSTRUCK: Are we on 55, Judge?

8 JUDGE HATCHER: So marked.

9 MR. CARO: May I approach the witness?

10 JUDGE HATCHER: Yes.

11 THE WITNESS: Thank you.

12 JUDGE HATCHER: Thank you, sir.

13 MR. THOMPSON: Thank you.

14 BY MR. CARO:

15 Q. Dr. Won, turning to what's been marked as
16 Exhibit No. 56, would you look at that? 55. I'm sorry.

17 JUDGE HATCHER: Thank you. 55. Go ahead.

18 BY MR. CARO:

19 Q. On the bottom of Exhibit No. 55, it has
20 corrected Schedule SJW-14, correct, bottom right-hand
21 corner?

22 A. I wouldn't say this is correct one. Different
23 version has this number, yes.

24 Q. Right, right. So if we were to interchange
25 the betas from your SJW-14 and input the betas from the

1 Value Line reports of 2020 -- February 2021 and the
2 Value Line reports of June 2017, the corrected betas
3 would be listed in column 2, correct?

4 A. I don't want to say that is a corrected
5 version. It's different version have this number, yes.

6 MR. CLIZER: Your Honor, I'm sorry, can we get
7 some clarification on this? Is this something that
8 Dr. Won produced or is this something the Company has
9 produced?

10 MR. CARO: The Company is producing it. We're
11 validating it that these are the betas from those two
12 Value Line reports which he relied on.

13 THE WITNESS: I didn't rely on Value Line
14 reports for beta.

15 MR. CLIZER: I don't want to interject here
16 again, but I just want to point out that the corrected
17 schedule number is going to be confusing for the record.

18 JUDGE HATCHER: Yes, Mr. Caro, I would
19 appreciate if we stop calling it the corrected numbers.
20 It's been explained. Thank you.

21 MR. CARO: Thank you. We'll note so.

22 MR. THOMPSON: Judge, we're willing to
23 stipulate that if you use different inputs you will get
24 different results which seems to be the point Mr. Caro
25 is trying to make.

1 MR. CARO: Yes, okay.

2 JUDGE HATCHER: I'm taking your nod as an
3 affirmation that you will agree to that stipulation?

4 MR. CARO: I would agree to that stipulation.

5 JUDGE HATCHER: Excellent. Do you have any
6 more questions for the witness?

7 MR. CARO: With that, I'd like to move to
8 admit our Exhibits 52, 53, 54 and 55.

9 MR. THOMPSON: I'm going to object.

10 JUDGE HATCHER: I'd like to ask --
11 Mr. Thompson, I'd like to ask Mr. Caro where did you
12 obtain Exhibit 55?

13 MR. CARO: 55 was created with the corrected
14 betas.

15 JUDGE HATCHER: Please stop calling it
16 corrected.

17 MR. CARO: Excuse me. 55 was created using
18 betas from Value Line.

19 JUDGE HATCHER: I understand what the numbers
20 are. Where did you get it?

21 MR. CARO: We used Dr. Won's work paper.

22 THE WITNESS: I didn't produce this document.

23 MR. CARO: If you look at SJW --

24 JUDGE HATCHER: No, sir. Can you just answer
25 where did you get this piece of paper?

1 MR. CARO: We modified it from --

2 JUDGE HATCHER: That would have been good
3 information to know.

4 MR. CARO: We modified it from SJW-14 using
5 Dr. Won's exhibit.

6 JUDGE HATCHER: Now that we're at the bottom
7 of this mystery, we have a motion for four different
8 exhibits. I will go one at a time. I'm sorry.

9 Mr. Thompson, I had the wrong glasses on. Did you have
10 something?

11 MR. THOMPSON: I have an objection to Exhibit
12 52 in that I've never seen it.

13 JUDGE HATCHER: 52 purports to be the work
14 papers that Dr. Won turned in for lack of a better word.

15 THE WITNESS: I don't have 52.

16 MR. CLIZER: I also thought that the work
17 papers were 53. Is that what other people had?

18 THE WITNESS: I had 53 and 54 and 55.

19 MR. THOMPSON: 53 is the June 2, 2017 Value
20 Line report.

21 JUDGE HATCHER: That's what I have.

22 MR. THOMPSON: 54 is the February 26, 2021
23 Value Line report, and Exhibit 55 is the different
24 version of SJW-14 produced by the Company.

25 JUDGE HATCHER: Yes.

1 MR. THOMPSON: But Staff objects to 52 because
2 counsel has never seen it. This may be surprising but
3 attorneys do not typically look at work papers.

4 JUDGE HATCHER: So you're saying you've
5 never --

6 MR. THOMPSON: I've never seen it. I don't
7 know what it says. I don't know what's there.

8 JUDGE HATCHER: I'm not worried about your
9 verification, Mr. Thompson. I'm worried about his.

10 MR. THOMPSON: It is customary to hand out
11 copies of exhibits to counsel.

12 JUDGE HATCHER: Did we not get a copy of
13 Exhibit 52? I know I didn't.

14 MR. THOMPSON: We did not.

15 THE WITNESS: I don't have it.

16 JUDGE HATCHER: Mr. Caro?

17 MR. CARO: Did we not -- We may not have.

18 JUDGE HATCHER: This seems like several errors
19 with exhibits.

20 MR. CARO: I'm looking at December -- the
21 exhibit that's been marked as 52 is the December 2, 2016
22 Value Line.

23 JUDGE HATCHER: No, sir. 52 is the
24 confidential -- it's marked confidential and it was
25 described to me as work papers. It was described on the

1 record as the work papers that Dr. Won supplied to
2 support some other testimony.

3 MR. CARO: We'll withdraw 52. Move to admit
4 53, 54 and 55.

5 JUDGE HATCHER: Okay. Exhibit 53, the June 2,
6 2017 Value Line stapled report. Any objections to
7 admission of that onto the hearing record?

8 MR. THOMPSON: No objection.

9 JUDGE HATCHER: Hearing none, so admitted.

10 (SPIRE'S EXHIBIT 53 WAS RECEIVED INTO EVIDENCE
11 AND MADE A PART OF THIS RECORD.)

12 JUDGE HATCHER: Exhibit 54, the February 26,
13 2021 version of Value Line also stapled together
14 purporting to be the Company's that were grouped
15 together for this. Any objections to Exhibit 54?

16 MR. THOMPSON: No objection.

17 JUDGE HATCHER: So admitted.

18 (SPIRE'S EXHIBIT 54 WAS RECEIVED INTO EVIDENCE
19 AND MADE A PART OF THIS RECORD.)

20 JUDGE HATCHER: Exhibit 55, which we will term
21 the Different Schedule SJW-14. Does anyone have any
22 objections to the admission of Exhibit 55, the Different
23 Schedule SJW-14?

24 MR. THOMPSON: No objection.

25 MR. CLIZER: I do object to the extent that it

1 has the word corrected in the schedule. I would like
2 that struck and changed.

3 JUDGE HATCHER: It bothers me too. How do we
4 go about having that struck and changed and keep our
5 finger on we've all not objected?

6 MR. CLIZER: What I would offer as the
7 simplest solution is simply to have the Company email
8 out a different version with the name changed --

9 JUDGE HATCHER: I see a nod.

10 MR. CLIZER: -- by close of business and other
11 parties can object if necessary.

12 MR. CARO: We agree.

13 JUDGE HATCHER: Excellent. We're all in
14 agreement. We'll move forward. Mr. Caro.

15 MR. CARO: Yes, making sure that we admitted
16 51 which would have been the RRA report.

17 JUDGE HATCHER: I'm sorry. State that again.

18 MR. CARO: It's the Regulatory Research
19 Associates Report.

20 JUDGE HATCHER: Which number was this?

21 MR. CARO: 51.

22 JUDGE HATCHER: 51. Thank you. And this is
23 marked confidential?

24 MR. CARO: Yes. I thought we had. I'm just
25 making sure.

1 JUDGE HATCHER: I have it marked on mine.
2 Let's just suspenders and belt. Any objections to the
3 admission of confidential Exhibit 51? Hearing none, so
4 admitted.

5 MR. CARO: Thank you. No further questions,
6 Dr. Won.

7 THE WITNESS: Thank you.

8 MR. CARO: Thank you. I appreciate your
9 patience and attention.

10 JUDGE HATCHER: Mr. Clizer.

11 MR. CLIZER: Good morning.

12 THE WITNESS: Good morning, sir.

13 CROSS-EXAMINATION BY MR. CLIZER:

14 Q. We are very close to being good afternoon but
15 still the morning. I have some good news. I'm not
16 going to cross you on ROE. I do have just a few
17 questions if you would indulge me. Can you turn to page
18 36 of your surrebuttal.

19 A. Yes.

20 Q. At lines 11 through 12, would you agree with
21 me that it reads "The corporate credit ratings assigned
22 to Spire Missouri by Moody's is A1 while Spire is rated
23 Baa2, that is two notches lower?"

24 A. Yes.

25 Q. Just for clarity, by Spire you meant Spire,

1 Inc., correct?

2 A. You are right.

3 Q. Would you agree with me that the ratings you
4 are discussing are not the corporate credit ratings but
5 rather the rating for specific debt instruments?

6 A. That is more accurate description.

7 MR. CLIZER: Judge, I'm going to hand out two
8 documents. I'm not going to have them marked and I will
9 explain myself in a minute.

10 JUDGE HATCHER: Go ahead.

11 MR. CLIZER: These documents are confidential,
12 and I will check with counsel for just a moment. Did
13 you get both?

14 MR. THOMPSON: I have just the one. We've got
15 April 2021. Are there two of them?

16 MR. CLIZER: There is April 21, 2021 for both.
17 One is for Spire Missouri. One is for Spire, Inc.

18 THE WITNESS: These are both Spire, Inc.

19 MR. THOMPSON: We've got the Spire, Inc. one.

20 THE WITNESS: Yes, I have Spire, Inc.

21 MR. CLIZER: That's Spire Missouri, Inc.

22 THE WITNESS: Thank you.

23 MR. THOMPSON: Do you have a Spire, Inc. for
24 us?

25 MR. CLIZER: Sorry for that confusion.

1 BY MR. CLIZER:

2 Q. Really quick, Mr. Won. Were these the Moody's
3 Investors Service reports that you relied on for that
4 statement or similar?

5 A. Similar but not exactly the same.

6 Q. Would you agree with me that the type of
7 rating or rather the type of bond for Spire, Inc. is a
8 senior unsecured?

9 A. Yes.

10 Q. And the type of bond for Spire Missouri, Inc.
11 is a first mortgage bond?

12 A. Yes.

13 Q. Would you agree with me that a bond secured by
14 a mortgage is probably going to be rated higher than an
15 unsecured bond?

16 A. I agree with that.

17 MR. CLIZER: Now, Your Honor, these documents
18 have been already filed into EFIS in a different case.
19 I would ask the Commission take administrative notice of
20 them as they are filed into Case GF-2020-0334.

21 MR. APLINGTON: John, are they filed as
22 confidential in that case?

23 MR. CLIZER: They are filed as confidential in
24 that case, and so I would assume they would remain
25 confidential.

1 MR. APLINGTON: No objection.

2 JUDGE HATCHER: Hearing no objection, so
3 noticed. Thank you.

4 BY MR. CLIZER:

5 Q. Mr. Won, could you turn to page 40 of your
6 rebuttal. Actually you don't even have to flip. Let me
7 just straight ask, would you agree with me that Spire,
8 Inc. has a vested interest in supporting the current
9 equity levels of Spire Missouri so as to drive
10 ratemaking?

11 A. I don't know.

12 Q. Fair enough. Do you have a copy of what was
13 previously entered into the record as OPC's Exhibit 235?

14 MR. CLIZER: Judge, this is what I referenced
15 earlier. So it will be a different page.

16 THE WITNESS: I do not.

17 JUDGE HATCHER: That's okay.

18 MR. CLIZER: That's fine. I'm going to hand
19 you a copy.

20 MR. THOMPSON: Which page?

21 BY MR. CLIZER:

22 Q. Could you turn to page 12 for me. Should say
23 considerations at the top. Now, in order to preserve
24 confidentiality, I don't want you to read anything on
25 this document. But if you could read the second dash

1 under the third bullet point, if you follow me. Can you
2 read that sentence to yourself?

3 A. Yes.

4 Q. Does that change your answer to my previous
5 question?

6 A. This is -- I think this is Spire opinion. I
7 do not know that is really true or not.

8 Q. Nevertheless, I would like to add page 12 to
9 the original. I don't know given the circumstances
10 whether that would need a separate offer, et cetera.

11 JUDGE HATCHER: I am -- Just to keep things
12 clear, I'm going to treat this as a separate exhibit.
13 Mr. Clizer, I have on my list you're at 236.

14 MR. CLIZER: That's what my list says.

15 JUDGE HATCHER: It will be confidential. It
16 is page 12. And just to restate for everyone, Mr.
17 Clizer has moved for the admission of all of this report
18 which I have taken under advisement. Thus, we are just
19 going one page at a time. The Office of the Public
20 Counsel has offered Exhibit 236 which is one page of
21 Data Request 3036, specifically page 12, again marked as
22 confidential.

23 MR. APLINGTON: No objection if treated
24 consistently with 235 as confidential.

25 MR. THOMPSON: No objection.

1 JUDGE HATCHER: Without objection, it is so
2 admitted. Go ahead, Mr. Clizer.

3 MR. CLIZER: Thank you.

4 (OPC'S EXHIBIT 236, PAGE 12 WAS RECEIVED INTO
5 EVIDENCE AND MADE A PART OF THIS RECORD.)

6 BY MR. CLIZER:

7 Q. All right. Once again, can you turn to page
8 37 of your surrebuttal. Please let me know when you're
9 there.

10 A. So 37, yes.

11 Q. Would you agree with me that at lines 10 and
12 11 it reads Spire, Inc. has not been the primary source
13 of long-term and short-term debt financing for Spire
14 Missouri and this appears to continue to be the case?

15 Mr. THOMPSON: I'm sorry. Which line is that?

16 MR. CLIZER: Lines 10 and 11 of page 37.

17 MR. THOMPSON: Thank you.

18 THE WITNESS: So that is my understanding.

19 BY MR. CLIZER:

20 Q. Is Spire Missouri receiving affiliate loans
21 through Spire, Inc. for short-term debt?

22 A. It would be -- I'm not detailed check for that
23 part.

24 MR. CLIZER: I would like to mark another
25 exhibit which would be 237, I believe.

1 JUDGE HATCHER: Yes.

2 MR. CLIZER: Judge, given the other skinny
3 versions, I did not print the entire 10-K this time
4 which is several hundred pages. I assumed that's how we
5 would be offering it.

6 JUDGE HATCHER: Thank you.

7 BY MR. CLIZER:

8 Q. All right. As I explained to the Judge, I'm
9 not sure if it was on the record, this is not the full
10 10-K. This is a skinny version as we have done in the
11 past.

12 BY MR. CLIZER:

13 Q. Mr. Won, would you agree with me that this is
14 the -- at least the cover page of this is the 10-K filed
15 by Spire, Inc. with the SEC?

16 A. Yes.

17 Q. And if you turn it over and go to page 30 of
18 the actual report, the second full paragraph under 29
19 you would agree that it reads the utilities rely on
20 short-term credit and long-term credit capital markets,
21 as well as cash flows from operations to satisfy their
22 seasonal cash requirements and fund their capital
23 expenditures. The utilities access the commercial paper
24 market the way the program administered by the holding
25 company which lends borrowed funds to the utilities.

1 Utilities -- stop there. Do you agree with me that's
2 what it reads?

3 A. Yes.

4 MR. CLIZER: I would offer OPC 237.

5 JUDGE HATCHER: Any objections?

6 MR. THOMPSON: No objection.

7 MR. CARO: We would prefer to have the entire
8 10-K because utilities isn't defined in those paragraphs
9 there.

10 MR. CLIZER: Sorry. I can try and add the
11 page that defines it. I'm okay with putting the whole
12 10-K in. I was doing this because of the previous
13 skinny versions. I'll leave it to the Commission's
14 discretion. I have no problem with that.

15 MR. APLINGTON: Your Honor, I think if we can
16 add the definitional section, that would address the
17 issue.

18 JUDGE HATCHER: We already have a couple
19 outstanding exhibits to follow up on. Let's make this
20 one of those. Okay. Let me find my paperwork. Okay.
21 Are there any objections to the admission of Exhibit 237
22 Section 1 10-K which is currently two pages and I expect
23 it to be three or four pages. And if we can get that by
24 --

25 MR. CLIZER: I will try to make it by close of

1 business. If you can give me until Monday just to be
2 absolutely sure. I'll make a concerted effort to be by
3 close of business today.

4 JUDGE HATCHER: We will go back and revisit
5 all of these. Let's go with close of business Monday.
6 I'd like to be more consistent. I'll give everyone else
7 that extra time. Are there any objections? Okay.
8 We'll allow this in for the moment subject to objection,
9 written objection afterwards. I'll set a time for that
10 another time.

11 MR. CLIZER: Thank you, Your Honor.

12 BY MR. CLIZER:

13 Q. All right. On page 41 of your rebuttal
14 testimony, I'm not sure you actually need to review it.
15 You're probably going to know what I'm talking about.
16 You identified four factors that support why you would
17 continue using Spire Missouri's stand-alone capital
18 structure, right?

19 A. Yes.

20 Q. All right. I know there's a disagreement
21 between our office and Staff regarding whether those
22 four factors were met. For the purposes of this
23 question, I'm going to assume that you continue to
24 believe that those four factors are met. If you believe
25 that those four factors are met in the next rate case

1 and Spire comes back in seeking these same capital
2 structure, would your recommendation be to maintain that
3 same capital structure?

4 A. No.

5 Q. What would you look for to determine when to
6 recommend a different capital structure?

7 A. So one of the main thing is about the
8 short-term debt. We needed to check that is
9 intentionally Spire Missouri manipulate short-term debt
10 level. I needed to check that.

11 MR. CLIZER: Thank you. No further cross.

12 JUDGE HATCHER: We're going to take a pause
13 here and go ahead and have lunch. I note that it is
14 12:05. We have -- I have questions for Dr. Won not now,
15 but that will trigger our recross. We also have one
16 more witness, Mr. Murray, that we will have questions
17 for. Let's go ahead and take lunch. I will look around
18 the room for suggestions of a later time than 1:00 p.m.

19 MR. CLIZER: I would push it to 1:30 or 2:00
20 personally.

21 MR. THOMPSON: 1:30.

22 MR. CARO: 1:30, 1:15.

23 MS. BOCKSTRUCK: 1:15.

24 MR. CLIZER: 1:30.

25 JUDGE HATCHER: Spire only gets one vote.

1 We'll come back at 1:30 p.m. today. Thank you. We're
2 at recess and off the record.

3 (The noon recess was taken.)

4 JUDGE HATCHER: Let's go on the record. We
5 are back from our lunch break. We are finishing up
6 issue one, cost of capital. This is Spire's general
7 rate case GR-2021-0108. Just before we came back on the
8 record the parties have jointly moved to admit the
9 remaining exhibits which have not yet been admitted for
10 prefiled testimony in this case. Have I adequately
11 phrased that?

12 MS. BOCKSTRUCK: Yes, that is correct.

13 JUDGE HATCHER: We're going to go through
14 these exhibits one at a time but at a fair clip.

15 MS. BOCKSTRUCK: Yes.

16 JUDGE HATCHER: Okay. We'll start with the
17 Company. I'll start my list at Exhibit 4. Do I hear a
18 motion to admit the testimony of Scott Carter direct
19 testimony.

20 MS. BOCKSTRUCK: That's correct.

21 JUDGE HATCHER: Any objections? So admitted.

22 (SPIRE'S EXHIBIT 4 WAS RECEIVED INTO EVIDENCE
23 AND MADE A PART OF THIS RECORD.)

24 JUDGE HATCHER: Next on my list is Exhibit 8,
25 Ms. Dean.

1 MS. BOCKSTRUCK: Shaylyn Dean.

2 JUDGE HATCHER: Thank you. Exhibit 8 and 9,
3 direct and surrebuttal. Any objections? So admitted.

4 (SPIRE'S EXHIBITS 8 AND 9 WERE RECEIVED INTO
5 EVIDENCE AND MADE A PART OF THIS RECORD.)

6 JUDGE HATCHER: Next is 13 and 14, Lew
7 Keathley, rebuttal and surrebuttal. Do I hear a motion?
8 I've already stated I had a joint motion for all of
9 them.

10 MS. BOCKSTRUCK: Yes.

11 JUDGE HATCHER: Any objections? None. So
12 admitted.

13 (SPIRE'S EXHIBITS 13 AND 14 WERE RECEIVED INTO
14 EVIDENCE AND MADE A PART OF THIS RECORD.)

15 JUDGE HATCHER: Next on my list is Spire's
16 Exhibit 21 and 22, Trisha Lavin, direct and surrebuttal.
17 I'll take both of those together. Any objections?
18 Hearing none, so admitted.

19 (SPIRE EXHIBITS 21 AND 22 WERE RECEIVED INTO
20 EVIDENCE AND MADE A PART OF THIS RECORD.)

21 JUDGE HATCHER: 23 and 24, C. Eric Lobser,
22 rebuttal and surrebuttal. Any objections? Hearing
23 none, so admitted.

24 (SPIRE'S EXHIBITS 23 AND 24 WERE RECEIVED INTO
25 EVIDENCE AND MADE A PART OF THIS RECORD.)

1 JUDGE HATCHER: Next on my list is Exhibits 29
2 and 30, Alicia Mueller, direct and rebuttal. Any
3 objections? Hearing none, so admitted.

4 (SPIRE'S EXHIBITS 29 AND 30 WERE RECEIVED INTO
5 EVIDENCE AND MADE A PART OF THIS RECORD.)

6 JUDGE HATCHER: Next is Exhibit 31, Robert
7 Noelker, rebuttal testimony. Any objections? Hearing
8 none, so admitted.

9 (SPIRE'S EXHIBIT 31 WAS RECEIVED INTO EVIDENCE
10 AND MADE A PART OF THIS RECORD.)

11 JUDGE HATCHER: Next Exhibit 37 and 38, we'll
12 take them together. Julie Trachsel, rebuttal and
13 surrebuttal. Any objections? Hearing none, so
14 admitted.

15 (SPIRE'S EXHIBITS 37 AND 38 WERE RECEIVED INTO
16 EVIDENCE AND MADE A PART OF THIS RECORD.)

17 JUDGE HATCHER: Staff's list is next on my
18 list. Exhibit 100, Karen Lyons, direct. Any
19 objections? Hearing none, so admitted.

20 (STAFF'S EXHIBIT 100 WAS RECEIVED INTO
21 EVIDENCE AND MADE A PART OF THIS RECORD.)

22 JUDGE HATCHER: Exhibit 102, this is one we
23 have brought up before in discussion and testimony.
24 This is Staff accounting schedules. Any objection?
25 Hearing none, so admitted.

1 (STAFF'S EXHIBIT 102 WAS RECEIVED INTO
2 EVIDENCE AND MADE A PART OF THIS RECORD.)

3 JUDGE HATCHER: Next is Exhibit 5, notice of
4 filing corrected class cost of service testimony. This
5 is the corrected direct of Robin Kliethermes, Exhibit
6 105. Any objection? That's got a public and a
7 confidential version. Any objections? Hearing none,
8 both are so admitted.

9 (STAFF'S EXHIBITS 105C AND 105P WERE RECEIVED
10 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

11 JUDGE HATCHER: Next is 106, Kory Boustead
12 rebuttal. Any objections? Hearing none, so admitted.

13 (STAFF'S EXHIBIT 106 WAS RECEIVED INTO
14 EVIDENCE AND MADE A PART OF THIS RECORD.)

15 JUDGE HATCHER: 107, Exhibit 107, rebuttal
16 testimony Anne Crowe. Any objections? Hearing none, so
17 admitted.

18 (STAFF'S EXHIBIT 107 WAS RECEIVED INTO
19 EVIDENCE AND MADE A PART OF THIS RECORD.)

20 JUDGE HATCHER: Exhibit 109, Claire Eubanks
21 rebuttal testimony. I'm sorry. I missed one. Exhibit
22 108, Saeid Dindarloo rebuttal testimony. Any objection?
23 Hearing none, so admitted.

24 (STAFF'S EXHIBIT 108 WAS RECEIVED INTO
25 EVIDENCE AND MADE A PART OF THIS RECORD.)

1 JUDGE HATCHER: Exhibit 109, rebuttal
2 testimony Claire Eubanks. Any objection? Hearing none,
3 so admitted.

4 (STAFF'S EXHIBIT 109 WAS RECEIVED INTO
5 EVIDENCE AND MADE A PART OF THIS RECORD.)

6 JUDGE HATCHER: Exhibit 110 public and
7 confidential rebuttal testimony of Jared Giacone. I
8 apologize for the pronouncement. Public and
9 confidential. Any objection? Hearing none, so
10 admitted.

11 (STAFF'S EXHIBITS 110C AND 110P WERE RECEIVED
12 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

13 JUDGE HATCHER: Exhibit 111, rebuttal
14 testimony Nancy Harris. Any objection? Hearing none,
15 so admitted.

16 (STAFF'S EXHIBIT 111 WAS RECEIVED INTO
17 EVIDENCE AND MADE A PART OF THIS RECORD.)

18 JUDGE HATCHER: Exhibit 113, rebuttal
19 testimony public and confidential Robin Kliethermes.
20 Any objection? Hearing none, so admitted.

21 (STAFF'S EXHIBITS 113C AND 113P WERE RECEIVED
22 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

23 JUDGE HATCHER: 114, rebuttal of Sarah Lange
24 public and confidential. Any objection? Hearing none,
25 so admitted.

1 (STAFF'S EXHIBITS 114C AND 114P WERE RECEIVED
2 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

3 JUDGE HATCHER: Exhibit 116, rebuttal of Karen
4 Lyons. Any objection? Hearing none, so admitted.

5 (STAFF'S EXHIBIT 116 WAS RECEIVED INTO
6 EVIDENCE AND MADE A PART OF THIS RECORD.)

7 JUDGE HATCHER: 117, Rebuttal of Keith Majors.
8 Any objection? Hearing none, so admitted.

9 (STAFF'S EXHIBIT 117 WAS RECEIVED INTO
10 EVIDENCE AND MADE A PART OF THIS RECORD.)

11 JUDGE HATCHER: 118, rebuttal testimony of
12 Joel McNutt. Any objection? Hearing none, so admitted.

13 (STAFF'S EXHIBIT 118 WAS RECEIVED INTO
14 EVIDENCE AND MADE A PART OF THIS RECORD.)

15 JUDGE HATCHER: Exhibit 120, rebuttal Keenan
16 Patterson. Any objection? Hearing none, so admitted.

17 (STAFF'S EXHIBIT 120 WAS RECEIVED INTO
18 EVIDENCE AND MADE A PART OF THIS RECORD.)

19 JUDGE HATCHER: Exhibit 121, public and
20 confidential rebuttal testimony, Charles Poston, PE.
21 Any objection? Hearing none, so admitted.

22 (STAFF'S EXHIBITS 121P AND 121C WERE RECEIVED
23 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

24 JUDGE HATCHER: Exhibit 122, rebuttal
25 testimony David Sommerer. Any objection? Hearing none,

1 so admitted.

2 (STAFF'S EXHIBIT 122 WAS RECEIVED INTO
3 EVIDENCE AND MADE A PART OF THIS RECORD.)

4 JUDGE HATCHER: Exhibit 126, amended rebuttal
5 testimony Nancy Harris. Any objection? Hearing none,
6 so admitted.

7 (STAFF'S EXHIBIT 126 WAS RECEIVED INTO
8 EVIDENCE AND MADE A PART OF THIS RECORD.)

9 JUDGE HATCHER: Exhibit 127, surrebuttal
10 Kimberly Bolin. Any objection? Hearing none, so
11 admitted.

12 (STAFF'S EXHIBIT 127 WAS RECEIVED INTO
13 EVIDENCE AND MADE A PART OF THIS RECORD.)

14 JUDGE HATCHER: Exhibit 129, surrebuttal Kim
15 Cox. Any objection? Hearing none, so admitted.

16 (STAFF'S EXHIBIT 129 WAS RECEIVED INTO
17 EVIDENCE AND MADE A PART OF THIS RECORD.)

18 JUDGE HATCHER: Exhibit 130, public and
19 confidential surrebuttal testimony Jared Giaccone. Any
20 objection? Hearing none, so admitted.

21 (STAFF'S EXHIBITS 130C AND 130P WERE RECEIVED
22 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

23 JUDGE HATCHER: Exhibit 132, surrebuttal of
24 Robin Kliethermes. Any objection? Hearing none, so
25 admitted.

1 (STAFF'S EXHIBIT 132 WAS RECEIVED INTO
2 EVIDENCE AND MADE A PART OF THIS RECORD.)

3 JUDGE HATCHER: Exhibit 134, surrebuttal of
4 Karen Lyons public and confidential. Any objection?
5 Hearing none, so admitted.

6 (STAFF'S EXHIBITS 134C AND 134P WERE RECEIVED
7 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

8 JUDGE HATCHER: Exhibit 137 public and
9 confidential, surrebuttal testimony of Keenan Patterson,
10 Professional Engineer. Any objection? Hearing none, so
11 admitted.

12 (STAFF'S EXHIBITS 137C AND 137P WERE RECEIVED
13 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

14 JUDGE HATCHER: Moving to the Office of the
15 Public Counsel's.

16 MR. CLIZER: The only unsubmitted should be
17 Mr. David Murray who is here to testify today.

18 JUDGE HATCHER: I guess we'll wait for him.

19 MR. CLIZER: Can you verify that he is the
20 only prefiled?

21 JUDGE HATCHER: Yes. That's all that is
22 missing on OPC's list. Anyone has a printout of the
23 intervenors' list, I'm looking for mine currently, their
24 exhibit list?

25 I have the Vicinity Energy Kansas City exhibit

1 list. Exhibit 800, direct testimony of Greg Meyer. Any
2 objections? Hearing none, so admitted.

3 (VICINITY ENERGY KANSAS CITY'S EXHIBIT 800 WAS
4 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

5 JUDGE HATCHER: Exhibit 801, rebuttal of Greg
6 Meyer. Any objections? Hearing none, so admitted.

7 (VICINITY ENERGY KANSAS CITY'S EXHIBIT 801 WAS
8 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

9 JUDGE HATCHER: 802, surrebuttal of Greg
10 Meyer. Any objections? Hearing none, so admitted.

11 (VICINITY ENERGY KANSAS CITY'S EXHIBIT 802 WAS
12 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

13 JUDGE HATCHER: We'll take the next three
14 together. Exhibit 803, 804, 805. This is the direct,
15 rebuttal and surrebuttal of Brian Collins. Any
16 objection? Hearing none, all three are so admitted.

17 (VICINITY ENERGY KANSAS CITY'S EXHIBITS 803,
18 804 AND 805 WERE RECEIVED INTO EVIDENCE AND MADE A PART
19 OF THIS RECORD.)

20 JUDGE HATCHER: Exhibit list of the Missouri
21 School Boards' Association. They have one exhibit.
22 This list titles that -- enumerates that exhibit as No.
23 1.

24 MR. CLIZER: School Board filed testimony?

25 JUDGE HATCHER: They did. It was direct

1 testimony Louie Ervin. I don't remember from -- I do
2 have my procedural schedule up. I should stop talking
3 on the mike. This is making a record. Hold on. I
4 don't have a number assigned for them. Vicinity on
5 their own initiative took 800. I will start with 900
6 for Missouri School Boards' Association. This is
7 Exhibit 900, direct testimony of Louie R. Ervin II on
8 behalf of the Missouri School Boards' Association. Is
9 there any objection? Hearing none, so admitted.

10 (MISSOURI SCHOOL BOARDS' ASSOCIATION 900 WAS
11 RECEIVED INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

12 JUDGE HATCHER: I do understand he is
13 listening online, and I am not waiting until last just
14 because of that. I have Consumer Council's exhibit
15 list.

16 MR. COFFMAN: Yes, Your Honor. We have one
17 piece of testimony marked as Exhibit 700.

18 JUDGE HATCHER: Excellent. Mr. Coffman, would
19 you like to move for adoption of that exhibit onto the
20 hearing record?

21 MR. COFFMAN: Yes, thank you. I'd like to
22 offer the direct testimony of Jackie Hutchinson into the
23 record Exhibit 700.

24 JUDGE HATCHER: 700 has been so offered. Any
25 objections? Hearing none, so admitted.

1 (CONSUMERS COUNCIL OF MISSOURI'S EXHIBIT 700
2 WAS RECEIVED INTO EVIDENCE AND MADE A PART OF THIS
3 RECORD.)

4 JUDGE HATCHER: Thank you, Mr. Coffman. I
5 also have Mr. Barrs for Legal Services of Eastern
6 Missouri, their exhibit list. Exhibit 600, direct
7 testimony of Jennifer Heggemann. Any objection?
8 Hearing none, so admitted onto the hearing record.
9 That's Exhibit No. 600.

10 (LEGAL SERVICES OF EASTERN MISSOURI'S EXHIBIT
11 600 WAS RECEIVED INTO EVIDENCE AND MADE A PART OF THIS
12 RECORD.)

13 JUDGE HATCHER: That is all of the exhibit
14 lists that I have. Do any of the parties know of any
15 others? Thank you.

16 MR. APLINGTON: Yes. National Housing Trust
17 has Exhibit No. 400, the direct testimony of Roger
18 Colton and 401, the rebuttal testimony of Annika
19 Brindel. I think the parties would move for joint
20 admission of those exhibits.

21 MR. THOMPSON: Anna who?

22 MR. APLINGTON: Annika Brindel.

23 MR. THOMPSON: Thank you.

24 JUDGE HATCHER: You've heard the motion. Any
25 objections? Hearing none, so admitted, Exhibits 400 and

1 Exhibit 401.

2 (NATIONAL HOUSING TRUST'S EXHIBITS 400 AND 401
3 WERE RECEIVED INTO EVIDENCE AND MADE A PART OF THIS
4 RECORD.)

5 JUDGE HATCHER: And Kayla, if you could check
6 on any other testimony that we have not already admitted
7 and just email me if we need to cover any others. Let's
8 move on. We have another.

9 MS. BOCKSTRUCK: I brought this up on Monday,
10 Judge, but did we want to enter into the record as an
11 exhibit the Joint Stipulation that was filed on July 23,
12 we have another on July 30, and then one yesterday,
13 August 5.

14 JUDGE HATCHER: Yes. I'm going to enter them
15 as Spire's exhibits. I see no head shakes to that.
16 You're at 56 by my list.

17 MS. BOCKSTRUCK: Yes.

18 JUDGE HATCHER: So 56, 57 and 58 for the
19 three. Would you please tell me the dates of those
20 again?

21 MS. BOCKSTRUCK: July 23, the School Board
22 exhibit. Well, School Board Stip. July 30 and August
23 5.

24 JUDGE HATCHER: Thank you. You have heard the
25 motion to admit Exhibits 56, 57 and 58, which are the

1 July 23 Nonunanimous Partial Stipulation and Agreement,
2 the July 30 Nonunanimous Partial Stipulation and
3 Agreement, and the August 5 Nonunanimous Stipulation and
4 Agreement. Any objections? Hearing none, so admitted.

5 (SPIRE'S EXHIBITS 56, 57 AND 58 WERE RECEIVED
6 INTO EVIDENCE AND MADE A PART OF THIS RECORD.)

7 JUDGE HATCHER: And we will now turn to our
8 witness. Thank you for your patience. Dr. Won of Staff
9 is testifying. And we had taken our lunch break just
10 after direct and cross-examination. Again, I note we
11 have all five Commissioners participating in this
12 hearing. And if they are on a phone, it is *6 to
13 unmute, and I will open it up now for any Commissioner
14 questions for Dr. Won. Our issue we're having today --
15 The issue we're discussing today is issue number one,
16 the cost of capital. Hearing no questions from the
17 Commissioners, the Judge does have a couple questions.

18 QUESTIONS BY JUDGE HATCHER:

19 Q. From a capital structure development
20 perspective, what is the recommendation for how
21 short-term debt is treated?

22 A. Staff's position for short-term debt is should
23 we include exceeds of short-term asset and CWIP of
24 short-term debt.

25 Q. In your expertise, when should short-term debt

1 be included in the capital structure?

2 A. So compare current asset plus CWIP portion is
3 bigger than short-term debt. There's a debt portion of
4 amount that should be include capital structure.

5 Q. When CWIP and short-term asset debt exceed the
6 short term?

7 A. Short-term debt.

8 Q. Okay. When those two exceed the short-term
9 debt, then that's the triggering event?

10 A. That portion should be include in capital
11 structure.

12 Q. Okay. Thank you. Why?

13 A. So there is a kind of matching principle. The
14 proposal with short-term debt should recover short-term
15 expense and asset. If that exceed portion of debt, it's
16 actually debt served for capital, so that should be
17 include in capital structure.

18 Q. I think I heard you testify this morning that
19 you'll be looking at that, Staff will be looking at that
20 in the future?

21 A. Right.

22 Q. Why not in this case?

23 A. In this case, we have no evidence there is a
24 manipulation of short-term debt level.

25 Q. Okay. I asked earlier witnesses about some

1 legislative changes. Are you familiar with the change
2 to the gas ISRS statute?

3 A. No.

4 Q. Do you know of any rule against a company
5 targeting its capital structure, and what I mean by that
6 is making sure that the debt to equity ratio remains
7 relatively constant. Is there any problem with that?

8 A. That fact does not problem.

9 Q. Okay. How did the -- I'm going to switch back
10 now to construction work in progress. How did the
11 average level of CWIP and other short-term assets
12 compare to the average short-term debt since the last
13 rate case?

14 A. So in this proceeding Staff look at true-up
15 level of short-term debt and other current asset and
16 CWIP. That is May 31, 2021. That is consistent read to
17 last Commission decision. So there is a comparison
18 right now.

19 JUDGE HATCHER: That's all the questions I
20 have. That opens up for recross. Give me a second
21 while I shift gears. Spire's witness.

22 MR. CARO: Thank you. No questions.

23 JUDGE HATCHER: Mr. Clizer.

24 MR. CLIZER: Thank you. Just the one.

25 RE-CROSS-EXAMINATION BY MR. CLIZER:

1 Q. You had a quick back and forth with the Judge
2 and I want to make sure that this is clear on the
3 record. So I'm going to attempt to state your position
4 and you can tell me if I've got this right. When it
5 comes to the inclusion of short-term debt, short-term
6 debt should be included in the capital structure if the
7 amount of debt exceeds short-term assets; is that
8 accurate?

9 JUDGE HATCHER: Mr. Clizer, it's in addition
10 to CWIP.

11 BY MR. CLIZER:

12 Q. It is your position that short-term debt
13 should be included in the capital structure if the
14 amount of debt exceeds short-term assets plus
15 construction work in progress also known as CWIP,
16 correct?

17 A. Exceeding portion, yes.

18 MR. CLIZER: Yes. All right. Thank you. I
19 wanted to make sure that was clear.

20 JUDGE HATCHER: Thank you.

21 MR. CLIZER: No further questions.

22 JUDGE HATCHER: And redirect, Mr. Thompson?

23 MR. THOMPSON: Thank you.

24 REDIRECT EXAMINATION BY MR. THOMPSON:

25 Q. Well, we've covered a lot of ground. In

1 response to some questions from Mr. Caro for Spire about
2 the average level of ROE in 2021, did you testify that
3 it is trending down?

4 A. In second quarter of 2021, it go down.

5 Q. Thank you. And with respect to your Schedule
6 SJW-13, there was a lot of talk about information on
7 Value Line reports. Do you recall that?

8 A. Yes.

9 Q. And that information was different from what
10 appeared in your work papers and that you used in your
11 testimony; isn't that right? There were some numbers
12 that were different from the ones you used?

13 A. Yes.

14 Q. And I think you testified that nonetheless no
15 change was necessary; is that right?

16 A. Right.

17 Q. And did you say that Staff did not use any
18 estimated numbers?

19 A. Estimate number for dividend.

20 Q. For dividends?

21 A. Yes.

22 Q. And did Staff use Value Line reports betas?

23 A. No.

24 Q. I think you testified that Staff calculated
25 its own betas using the Value Line methodology?

1 A. Yes.

2 Q. There was talk about, and this is referring to
3 Exhibit 237 which was a skinny version of the 10-K of
4 Spire, Inc. Do you recall that exhibit?

5 A. Yes.

6 Q. And Mr. Clizer pointed you to some language
7 that indicated that the parent accessed the commercial
8 paper market and then loaned short-term funds to the
9 operating utilities. Do you recall that?

10 A. Yes.

11 Q. Now, assuming that that is true, so what?

12 A. It's very regular relationship between parents
13 and subsidiary.

14 Q. Would that change any of your conclusions?

15 A. No.

16 MR. THOMPSON: That's all the questions I
17 have, Your Honor. Thank you.

18 JUDGE HATCHER: Thank you, Dr. Won. You are
19 dismissed from the stand.

20 THE WITNESS: Thank you.

21 JUDGE HATCHER: Appreciate you being here.
22 (Witness excused.)

23 JUDGE HATCHER: Mr. Murray, as you come up
24 I'll make an announcement for our streaming and WebEx
25 and also our live audience here in the courtroom. This

1 is our last witness not only of today but of this case.
2 So I don't think that we're within five minutes but I do
3 want counsel and their assistants to start thinking of
4 any announcements and/or discussion items for the end of
5 the hearing before we adjourn.

6 Mr. Murray, please raise your right hand.

7 (Witness sworn.)

8 JUDGE HATCHER: Thank you. Please have a
9 seat. State and spell your name for our court reporter.

10 THE WITNESS: Thank you. My name is David
11 Murray. Last name is spelled M-u-r-r-a-y.

12 JUDGE HATCHER: Mr. Clizer, your witness.

13 MR. CLIZER: Thank you, Your Honor.

14 DAVID MURRAY,

15 being sworn, testified as follows:

16 DIRECT EXAMINATION BY MR. CLIZER:

17 Q. Mr. Murray, by whom are you employed and in
18 what capacity?

19 A. I'm employed by the Missouri Office of the
20 Public Counsel as a Utility Regulatory Manager.

21 Q. Had you prepared or cause to be prepared
22 direct, rebuttal and surrebuttal testimony for this
23 case?

24 A. Yes, I did.

25 Q. Do you have any corrections to make to your

1 testimony?

2 A. Yes.

3 Q. And did you file or cause to be filed an
4 errata sheet outlining what some of those changes are?

5 A. Yes.

6 Q. Notwithstanding that, did you also have
7 corrections to your schedules?

8 A. Yes.

9 Q. Notwithstanding those corrections, do you have
10 any other corrections?

11 A. I do.

12 Q. What would those be?

13 A. Please be patient with me. Not a lot but
14 things that need to be clarified. On page 37, line 13
15 -- That should be page 37 of my direct testimony, line
16 13, it indicates LDC as compared. There should be an
17 insertion of industry in between LDC and as.

18 JUDGE HATCHER: Mr. Murray, do you have more
19 than three corrections right now that you're going to
20 tell us about?

21 THE WITNESS: It may be more than three. It
22 might be around five.

23 JUDGE HATCHER: What do the parties think
24 about just an errata sheet?

25 MR. THOMPSON: I would prefer that.

1 JUDGE HATCHER: Okay.

2 MR. CLIZER: Your Honor, I was anticipating
3 offering the currently filed errata sheets as 218. I
4 was also, based off conversations from previous days,
5 going to offer the updated schedules as 238, which is as
6 I understand it my next number. I would offer I guess
7 the OPC can supply an errata sheet at 239 to address the
8 corrections that Mr. Murray was going to make on the
9 stand if that is agreeable.

10 JUDGE HATCHER: It is. And that brings us to
11 my first reminder for the end of the hearing. Let's
12 talk about the due dates for the various exhibits and
13 their associated objections. Okay. Let's go ahead with
14 Mr. Murray.

15 BY MR. CLIZER:

16 Q. With these corrections, if I were to ask you
17 the same questions that were posed to you in testimony,
18 would your answer today be the same?

19 A. Yes.

20 MR. CLIZER: I'm going to go ahead and offer
21 215P, direct testimony of David Murray public; 215C,
22 direct testimony of David Murray confidential; 216P and
23 C, rebuttal testimony of David Murray both public and
24 confidential; 217P and C, the surrebuttal testimony of
25 Mr. Murray both public and confidential; 218, David

1 Murray errata sheets, 238 which will be the corrected
2 schedules of David Murray and 239 which I'll say is the
3 second Murray errata sheet. Although that document has
4 yet to be produced, I will provide a copy at least by
5 close of business Monday unless the Court orders
6 otherwise.

7 JUDGE HATCHER: Mr. Clizer, the 238 correction
8 to the schedule, is that what was emailed today or
9 yesterday?

10 MR. CLIZER: It was emailed out last night. I
11 emailed all schedules as a single file. I was hoping to
12 avoid having to enter a bunch of different exhibits.

13 JUDGE HATCHER: That is acceptable to me.
14 I'll look to the parties to see if anyone has raised
15 eyebrows or is pulling their hair out. Sounds awesome.
16 And the witness is tendered.

17 MR. CLIZER: I offered them.

18 JUDGE HATCHER: I'm sorry. I got ahead of
19 myself. You have heard the motion of Mr. Clizer:
20 Exhibits 215 public and confidential, 216 public and
21 confidential, 217 public and confidential, all of those
22 the various testimonies of Mr. David Murray, and 218
23 David Murray errata sheet, also 238 which is correction
24 to schedules which was emailed and 239 which is yet to
25 be filed and those are just an errata of the various

1 other corrections. Any objections?

2 MR. THOMPSON: No objection.

3 JUDGE HATCHER: Hearing none, so admitted.

4 (OPC'S EXHIBITS 215P, 215C, 216P, 216C, 217P,
5 217C, 218, 238 AND 239 WERE RECEIVED INTO EVIDENCE AND
6 MADE A PART OF THIS RECORD.)

7 MR. CLIZER: And I tender the witness for
8 cross.

9 JUDGE HATCHER: Thank you. And that goes to
10 Staff, Mr. Thompson.

11 MR. THOMPSON: Thank you.

12 CROSS-EXAMINATION BY MR. THOMPSON:

13 Q. Looking at page 19 of your rebuttal, you
14 stated that Mr. D'Ascendis' DCF-supported COE estimate
15 is based on irrational assumptions. What were those
16 irrational assumptions, if you know?

17 A. Can you refer me to the line number?

18 Q. I was afraid you were going to do that. Bear
19 with me a minute, Judge.

20 A. I think I found it. It's on line 3 on page
21 19.

22 Q. I think that's correct. Yeah, I think the
23 pagination of the printed ones is different from the
24 ones online.

25 A. Well, I mean --

1 MR. CLIZER: Can I jump in one second. We did
2 file the corrected rebuttal versions with pagination
3 added as per the Commission's request. Those are what I
4 had intended to offer.

5 JUDGE HATCHER: Using the same exhibit number?

6 MR. CLIZER: Yes.

7 JUDGE HATCHER: Go ahead.

8 THE WITNESS: Thank you. I think I go on to
9 explain some of my concerns about the irrational
10 assumptions. Obviously with South Jersey Industries, he
11 used a -- he assumed that the dividends of South Jersey
12 Industries can grow in perpetuity at a 10.44 percent
13 compound annual growth rate on a year over year basis
14 forever into the future and that's very irrational.
15 That's higher than the return on the S&P 500 over the
16 long term.

17 And then just a fundamental difference of
18 opinion, I say difference of opinion but it's not
19 supported by any of the investment analysts' valuations
20 that I've reviewed and analyzed over my career of equity
21 research, that dividends are never compounded in
22 perpetuity at the five-year earnings per share compound
23 annual growth rate, the consensus equity analysts'
24 compound annual growth rate. So that's irrational in
25 and of itself.

1 BY MR. THOMPSON:

2 Q. And would you agree with Dr. Won's testimony
3 that the Company's expert's ROE recommendation is simply
4 too high?

5 A. Yes.

6 Q. Then looking at page 21, and I'm looking at
7 lines 1 through 4, you testified, did you not, that
8 you've never observed a DCF analysis that assumes a
9 company's cash flows will grow in perpetuity at the same
10 rate as equity analysts' consensus 5-year CAGR in EPS;
11 isn't that correct?

12 A. That is correct. Let me clarify that's true
13 for an investment analysis and equity investor's
14 determination of a utility, of a fair utility stock
15 price. Obviously in the rate of return area of utility
16 ratemaking things are done a little bit differently
17 which are not a reflection of reality.

18 Q. And turning to page 23, I'm looking at lines 1
19 through 4, you testified that Mr. D'Ascendis' risk
20 premium estimates are unreasonable; isn't that correct?

21 A. Yes.

22 Q. Why do you believe they're unreasonable?

23 A. They're far outside of any consensus of risk
24 premiums used by Spire, Incorporated itself for purposes
25 of its own internal valuation analysis. It's far

1 outside of anything used by utility investors.

2 Q. Would you agree that using those unreasonably
3 high risk premiums would result in unreasonably high
4 results?

5 A. Yes.

6 Q. And looking at page 24, and I see there's some
7 confidential information that I'm going to stay away
8 from, looking at lines 1 through 3, I believe you
9 testified that the market risk premium used by Mr.
10 D'Ascendis is almost double your market risk premium?

11 A. Yes, that's my testimony.

12 Q. Do you consider that market risk premium to be
13 reasonable or unreasonable?

14 A. Which one?

15 Q. The one that Mr. D'Ascendis used.

16 A. Mine is reasonable. His is unreasonable.

17 Q. We think yours is fine. And again, with the
18 use of that market risk premium, would the result of the
19 calculation be unreasonable?

20 A. Yes, it's a direct input.

21 Q. Going to page 26, and I'm looking at lines 23
22 to 26, you testified that you doubt the reliability of
23 Mr. D'Ascendis' risk premium estimates; is that correct?

24 A. I'm sorry. I do not see that. What page and
25 line number?

1 Q. I'm at 26, line 23. The question is what is
2 the primary aspect of Mr. D'Ascendis' risk premium
3 estimates that causes you the most concern about their
4 reliability. Answer. The mere fact that he estimates a
5 very wide range of results and gives each result equal
6 weight in his final equity risk premium estimate. So am
7 I correct in understanding that your testimony is that
8 this estimation method used by Mr. D'Ascendis is
9 unreliable?

10 A. Well, what I'm saying is he has -- I think I
11 specified. There's 18 different risk premium estimates
12 in Mr. D'Ascendis' cost of capital analysis, and I think
13 some may have been a little more reasonable, maybe about
14 7 percent are still higher than mine but some may go as
15 high as -- I'd have to look at his testimony, but 11, 12
16 percent might be close to the range as to where some of
17 his high ends are and he gives them all equal weight,
18 and I just don't think that that is taken into
19 consideration what's going on with the equity markets
20 with consistently breaking all-time high valuation
21 levels recently.

22 Q. As a result, would you consider the results of
23 his calculations using those numbers to be unreliable?

24 A. Yes.

25 Q. And what about his use of a non-regulated

1 proxy group? Is it your professional opinion that that
2 is an appropriate analysis to use in determining the COE
3 or ROE of a regulated utility?

4 A. It's just impossible to find an industry that
5 has the same risk profile as monopolies. It's a
6 worthwhile endeavor, but it just doesn't -- the
7 characteristics are just too different. I mean, you
8 could have really high growth companies, not dividend
9 yield investing companies. You know, the risk
10 differentials are just too disparate in my opinion.

11 Q. So is it your opinion that the results
12 obtained using that non-regulated proxy group should be
13 discarded?

14 A. Yes.

15 Q. And with respect to the adjustments Mr.
16 D'Ascendis made, is it your opinion that the flotation
17 cost adjustment is improper?

18 A. That's definitely very improper. I take
19 specific issue with the flotation cost adjustment.

20 Q. In fact, those are flotation costs incurred by
21 Spire, Inc.; isn't that right?

22 A. Yes. It totally contradicts their position
23 not to adopt a consolidated capital structure. They
24 asked for recovery of Spire, Incorporated's security
25 issuances which includes common equity since 2013-14.

1 And in their testimony, they indicate, and I say "they,"
2 Mr. D'Ascendis and Mr. Woodard that these Spire,
3 Incorporated security issuances including the common
4 stock and the preferred stock and even now the equity
5 units do benefit Spire Missouri. So that's a direct
6 contradiction of, you know, of their initial opinion
7 that Spire Missouri is an independent company. Point
8 being to that is these common equity issuances,
9 especially the ones in 2013 and '14, those were issued
10 to make acquisitions of Missouri Gas Energy and Alagasco
11 and there was a specific stipulation and agreement that
12 the Commission approved through order when it approved
13 those transactions that transaction costs shall not be
14 recovered from ratepayers and security issuances to fund
15 the acquisition of those transactions are definitely
16 transaction costs. So yes, I take very specific issue
17 with the flotation cost request. Even at that, those
18 have been recovered if it can be shown to benefit Spire
19 Missouri's plant, the historical approach for that is to
20 have the tangible expenses recovered through some type
21 of asset amortization and not as an adjustment to ROE.

22 Q. Thank you. And finally, do you agree with Mr.
23 D'Ascendis' small size adjustment?

24 A. I do not.

25 MR. THOMPSON: Thank you, Mr. Murray. No

1 further questions.

2 JUDGE HATCHER: Mr. Caro.

3 MR. CARO: Thank you. Good afternoon, Mr.
4 Murray.

5 THE WITNESS: Good afternoon, Mr. Caro.

6 CROSS-EXAMINATION BY MR. CARO:

7 Q. Your recommendation in this case is for a 9.25
8 ROE; is that correct?

9 A. That is correct.

10 Q. You testified in the Empire District Electric
11 case in 2019; is that correct?

12 A. That's correct.

13 Q. And your initial recommended ROE in that case
14 was 9.25, correct?

15 A. It was.

16 Q. You testified in the Missouri-American Water
17 case that concluded earlier this year; is that correct?

18 A. Yes, that's correct.

19 Q. And your recommended ROE in that case was 9.25
20 percent, correct?

21 A. That is correct.

22 Q. And that case number is WR-2020-0344, is that
23 correct, subject to check?

24 A. I don't remember specific but that sounds.
25 Why would I dispute that?

1 Q. You also testified in the earlier
2 Missouri-American Water Company case in 2015, correct?

3 A. As with Staff I did, yes.

4 Q. And your recommended ROE in that case was 9.25
5 percent, correct?

6 A. I don't recall.

7 Q. I'm going to hand you -- If there's no
8 objections, I'm going to hand you -- strike that what I
9 just said. We don't have that testimony in front of us.
10 You testified on behalf of the Commission Staff in the
11 2017 Spire rate case; is that correct?

12 A. That's correct.

13 Q. Those case numbers were GR-2017-0215 and 0216.
14 Would you accept that subject to check?

15 A. I accept that without subject to check.

16 Q. And your recommended ROE in that case was
17 9.25?

18 A. 9 to 9.5 with a midpoint of 9.25, correct.

19 Q. And your recommended ROE again in this case is
20 9.25, correct?

21 A. Recommendation of 8.5 to 9.5, and I chose to
22 recommend the 9.25.

23 MR. CARO: Based on that information, we'd
24 like to ask that the Commission take administrative
25 notice of his testimony in those two cases, the

1 WR-2020-0344 case of American-Water and the ER-2019-0374
2 case involving Empire.

3 JUDGE HATCHER: For the purpose of
4 establishing that Mr. Murray recommended 9.25?

5 MR. CARO: Yes.

6 JUDGE HATCHER: He just testified to that.

7 MR. CARO: Okay.

8 BY MR. CARO:

9 Q. Regarding your question involving flotation
10 costs, did the Commission properly allow them in Spire's
11 last rate case?

12 A. The Commission allowed them. I don't agree it
13 was proper.

14 MR. CARO: Thank you. I have no further
15 questions.

16 JUDGE HATCHER: Thank you. We'll turn to our
17 Commissioner questions. Are there any Commissioner
18 questions for Mr. Murray? I don't hear any. The Judge
19 does have a few questions.

20 QUESTIONS BY JUDGE HATCHER:

21 Q. Are you familiar with the legislative change
22 to the gas ISRS statute?

23 A. I am.

24 Q. And you heard my question to some of the other
25 witnesses today?

1 A. Yes.

2 Q. Did you include -- Do you believe that that
3 statute will increase the number of projects or
4 replacements that Spire can recover through its ISRS?

5 A. Can you repeat that question, please?

6 Q. Do you think the change to the law will
7 increase Spire's -- the number of projects or
8 replacements that Spire can recover through its ISRS?

9 A. Yes, there won't be any challenge. OPC had
10 challenged the past before the law was changed and so
11 that kind of gives a fairly smooth glide path for the
12 company because it got the law changed to refute the
13 disallowances that had happened in those past cases.
14 Yes, they'll be plugging along with continuing to make
15 ISRS investments and maybe even on an accelerated basis.

16 Q. I am not an economist so I apologize for my
17 phrasing of this question. Did you use the change in
18 statute, the gas ISRS', as an input into any of your
19 calculations for the setting of the rate in this rate
20 case?

21 A. It was not a specific consideration.
22 Evaluation of the business risk, financial risk, you
23 know, changes in the regulatory legislative environment,
24 just thinking about capital structure and debt capacity.
25 When those types of things occur, that reduces business

1 risk. To me that's another reason to question a static
2 capital structure, but just mindful of these things as
3 to supporting the ability to issue or have a higher debt
4 capacity more leverage of its capital structure.

5 Q. So I'm hearing you say that you did consider
6 it in the overall?

7 A. The general sense, yes.

8 Q. That is it for my gas ISRS questions. Let's
9 get back to the capital structure. Your testimony
10 addressed that fairly specifically. Can you explain to
11 me and for the record simple terms what is the problem
12 of a company targeting or trying to keep its debt,
13 equity to debt ratio fairly constant?

14 A. The same, static. Well, I think what happened
15 in this case is proof of what the problem is. I mean,
16 I'll venture to say that I think the Commission when it
17 authorized the 54.2 percent equity ratio in the 2017
18 case that it didn't believe that it was setting what the
19 company should use going forward. I don't know if
20 there's anything in writing on that. I don't think that
21 was the intention of the Commission, but the Commission
22 knows what its intention was there. Anyway, point being
23 is that you definitely expect and it does happen at
24 Spire, Incorporated level for a company to adjust its
25 capitalization policies based on changes in the capital

1 markets. Whether it's common equity valuation levels,
2 changes in debt costs, lower business risk, issues going
3 on with affiliates, which is very much an issue with
4 Spire, Incorporated, and trying to keep the cost of
5 capital low.

6 Q. I don't mean to cut you off, but my question
7 is can you tell me what the risks are? They admitted
8 it. He testified that yes, we are trying to manage
9 that. Can you tell me why that's wrong?

10 A. I'm sorry. Can you clarify? They testified
11 they were going to manage the Spire Missouri capital
12 structure or Spire, Incorporated capital structure?

13 Q. Spire Missouri, this is Spire Missouri rate
14 case.

15 A. I know. They're managing it to a static cap
16 structure. Yes, that's wrong.

17 Q. Why?

18 A. Because it doesn't take into consideration the
19 fact that the cost to equity for Spire which provides as
20 the company indicates itself that the equity issuance
21 benefits Spire Missouri. So in 2020, the LDC stocks
22 were out of favor. They were declining at lower price
23 to earnings ratios. Spire, Incorporated had intended to
24 issue more traditional common equity but they recognized
25 that the costs were higher. So they've gotten more

1 creative. So with Spire Missouri, which is set for
2 ratemaking purposes, which we verified, it's just a
3 matter of, you know, let's plow ahead with the highest
4 equity ratio because that's what's going to be put into
5 rates. They are not focusing on it for purposes of
6 managing the financial risk, the credit metrics of Spire
7 Missouri to achieve the most efficient capital structure
8 which would allow for a lower cost of capital situation.

9 Q. Can you identify any damage to ratepayers?

10 A. Yes, sir. They're being charged too much.
11 Over \$20 million a year.

12 Q. Can you give me some citations?

13 A. It's in my testimony.

14 Q. You're testifying about someone's intent, the
15 purpose. I'm failing to see how that damages ratepayers
16 and I'm failing to see -- I haven't heard anyone plainly
17 explain why their managing of that ratio is bad for
18 business or bad for the ratepayer or is bad business
19 practice in general. I understand that you see these
20 applications come in and numbers are going to be varied.
21 We're a company, we're borrowing money, we're spending
22 money, and we see that our bank has a lower rate, we're
23 going to go take advantage of that. So I can understand
24 that a company that comes in with almost exactly or
25 exactly the same capital structure ratio would be a red

1 flag.

2 I want to take it to the next level now. Can
3 you explain to me what the red flag is? I get that
4 you're saying that they purposefully are doing it.
5 Let's just assume that's true. Why is it bad for
6 ratepayers?

7 A. One of the things I'm having a hard time doing
8 is I know that there are exhibits that are confidential
9 that support OPC's position as far as how Spire,
10 Incorporated is managed and why it considers a BBB+
11 credit rating to be consistent with the efficient
12 frontier, and the efficient frontier is a financial term
13 that means --

14 Q. I'm familiar with the testimony.

15 A. And so what's good for the goose is good for
16 the gander, correct, I mean as far as --

17 Q. I'm not talking about Spire, Inc. Spire
18 Missouri. How about we take a hypothetical. There's a
19 hypothetical utility in Missouri called Squire and
20 Squire keeps its capital, what's it called, equity to
21 debt ratio constant, exactly the scenario you have laid
22 out. No holding company is involved. What is Squire
23 doing wrong?

24 A. If there's no holding company involved, then
25 they get the benefit of having a higher equity capital

1 structure which means their credit rating is not
2 impacted by the holding company. So point being is if
3 it were a stand-alone entity, then the higher credit
4 rating that would be assigned absent its affiliation
5 with no holding company should result in lower debt
6 cost. It will still be a potentially cost inefficient
7 capital structure but at least the ratepayers that are
8 paying for that equity rich capital structure will
9 receive the benefit of that financial stability of it
10 being a stand-alone company that's not associated or
11 affiliated with non-regulated entities and higher
12 leveraged by companies that manage it.

13 Q. Is that -- that's it? That's the
14 disadvantage?

15 A. It's affected by its affiliates, yes.

16 Q. Okay. Is there any rule against a company
17 doing that, targeting its capital structure to keep it
18 consistent?

19 A. It's a ratemaking --

20 Q. Unusual.

21 A. -- ratemaking principle, but is there a rule
22 as far as a legal rule? I mean, I don't know of any
23 legal rule.

24 Q. Business practice rule?

25 A. I would not think that the business practice

1 that's not normal.

2 Q. I didn't ask if it was normal. They might be
3 the smartest people in the room. I'm asking if they're
4 breaking the rules.

5 A. I would not invest in them.

6 Q. That's not what I asked.

7 A. They're not running the company efficiently
8 and if that's their rule --

9 Q. Tell me how.

10 A. They're maintaining an equity rich capital
11 structure that results in a higher cost of capital for
12 its investors which reduces their shareholder value.

13 Q. It results in a higher cost of capital because
14 they have a holding company and that's just how they got
15 structured; is that correct? That's why --

16 A. That's how Spire structured them, yes. Spire,
17 Incorporated structured them, correct.

18 Q. So is your complaint that the creation of the
19 holding company should be undone or shouldn't have been
20 done in the first place?

21 A. Can I point you to a couple of examples of
22 Atmos and ONE Gas?

23 Q. Please.

24 A. They're not a holding company organizational
25 structure. So when they go to their commission and they

1 have 55 to 60 percent equity in their capital structure,
2 that's real equity. They actually went to the public
3 third-party shareholders. So that equity supports the
4 equity invested in the assets that are held at the
5 parent company. When I say "parent company," it's not a
6 holding company. And so, you know, themselves, and
7 that's in my testimony, that that is transparent to the
8 regulators. It's not trying to shift debt capacity,
9 which is my opinion, to the holding company away from
10 the regulated utility which is the lowest risk asset in
11 the group of companies.

12 Q. Okay. Do you know what percentage of Spire,
13 Inc.'s consolidated structure is allocated to
14 non-regulated businesses? Sorry. I should have
15 announced that I'm going to switch gears.

16 A. I mean, I know say, for instance, Spire
17 Storage, you know, has a much lower equity or much lower
18 capital, you know, asset value now because it had taken
19 it right down in 2020 of 140 million. As far as what
20 the capital mix, based on the Spire consolidated capital
21 structure where all the debt is at the holding company,
22 that certainly implies that the debt is supporting the
23 non-regulated which defies the, you know, the
24 relationship of business risk with financial risk which
25 is not putting the financial risk on the non-regulated

1 riskier enterprise that can't support it. That's why
2 Spire, Incorporated has to provide parental guarantees
3 to those non-regulated entities.

4 Q. Okay. And your testimony you indicated that
5 Spire Missouri has not issued any dividends to Spire,
6 Inc. in the last few years?

7 A. I said it's been intermittent.

8 Q. Okay. Are those dividends reinvested in Spire
9 Missouri, I guess the ones --

10 A. The retained earnings is reinvested in Spire
11 Missouri.

12 Q. How does that impact the capital structure?

13 A. It gives the appearance of an equity rich
14 capital structure, but again confidential exhibit the
15 company clearly communicates that if it weren't for its
16 LDCs, the low risk businesses, they could not maintain
17 the consistent dividend that they're able to pay to
18 their shareholders which they do by issuing additional
19 capital at the holding company to make up for those
20 deficiencies which is only possible because of the
21 better quality of the low risk subsidiaries.

22 Q. Do you have Schedule DM-D-9-3 of your direct?

23 A. I do. I'm looking it up. I'm sorry.

24 Q. That's okay.

25 A. Yes.

1 Q. That shows Spire Missouri's capital structure
2 excluding short-term debt had an increasing equity from
3 54.59 percent in 2017 to 59.15 percent in 2019. Is
4 there any benefit to Spire Missouri having a higher
5 equity in the capital structure than was approved in the
6 last rate case?

7 A. No.

8 Q. I'm going to switch gears again, your
9 surrebuttal testimony page 13 to 14.

10 A. Yes.

11 Q. You indicate that Spire Missouri has on
12 average since the last rate case maintained at least 11
13 percent short-term debt in its capital structure of
14 which after deducting the CWIP balance, CWIP, from the
15 short-term debt, the remaining short-term debt made up
16 about 7 percent of the capital structure. Now, in your
17 Schedule DM-D-10-1, you outline a CWIP adjusted capital
18 structure for Spire Missouri equity at 52.79 percent,
19 long-term debt at 39.93 and short-term debt at 7.28.
20 Could you please explain how you arrived at the 7
21 percent short-term debt for the capital structure?

22 A. The 7.28 percent is based on the proportion of
23 short-term debt in excess of CWIP held at Spire Missouri
24 shown on the Spire Missouri balance sheet. Actually I
25 think I asked for Spire, Incorporated CWIP balances to

1 compare, but I don't think I ever received a response to
2 that DR. But this is the proportion for Spire
3 Missouri's short-term debt in excess of CWIP.

4 Q. What value did you use for CWIP in that
5 calculation?

6 A. I don't know. These are probably -- It's
7 probably in my underlying work papers. I don't remember
8 the specific figures. I will direct you to
9 Mr. Woodard's rebuttal testimony for that purpose. He
10 has a Schedule 2 attached which does a pretty good job
11 of breaking out the construction work in progress and
12 what's generally referred to as deferred gas cost which
13 is the short-term assets folks were talking about
14 earlier. His schedule spells that out pretty clearly.

15 Q. Thank you. If the Commission does not accept
16 OPC's proposed capital structure, do you have any
17 recommendations for an appropriate capital structure
18 outside of the Staff and the Company's proposal?

19 A. At a bare minimum, STL is a new pipeline, and
20 obviously folks are aware of the issues there and that
21 there's risk to whether or not it even continues. It
22 was a brand new pipeline and they were authorized a
23 higher rate of return as part of getting their
24 certificate. FERC gave them a 50/50 capital structure,
25 50 percent equity, 50 percent debt. A brand new

1 pipeline versus a company that's been in existence since
2 the late 1800s and has fairly predictable ongoing
3 investments for the foreseeable future within structure
4 replacement, I don't understand how anybody can with a
5 straight face say that Spire Missouri should have an
6 equity ratio that's higher than what's assigned to the
7 FERC STL pipeline. That being said, I'm also aware, and
8 this might be confidential --

9 Q. Well, I am not real sure how to proceed.

10 A. I'm just going to say I'm aware there's other
11 capitalization policies that apply to their
12 non-regulated that are more reasonable than what they're
13 asking for for the regulated utility.

14 Q. Okay. Thank you. I'm going to sum up that
15 last answer as it should at least be 50/50 like the STL
16 pipeline and there are other examples within the Spire,
17 Inc. affiliate organization that you could cite. Okay.

18 A. Yes. When I say "50/50," I mean obviously the
19 50 percent of debt, my position, OPC's position is that
20 50 percent of debt should include a proportion of
21 short-term debt if that were something that we were
22 trying to I guess look at other alternatives.

23 Q. Next topic on my list. Which does take us to
24 short-term debt. I was being serious. From a capital
25 structure development perspective, what is the

1 recommendation for how short-term debt is treated, this
2 is the same question I had asked earlier, from a capital
3 structure development perspective?

4 A. Well, if you don't mind, I'll explain what I
5 did in 2017. I didn't do the same thing in this case.
6 In 2017, I recognized that Spire Missouri has a fairly
7 predictable rate case cycle in between their ISRS
8 surcharges because they have to come back in in order to
9 be eligible for ISRS surcharges after three years or
10 three to four years. Anyway, point being is I wanted to
11 evaluate the typical amount of short-term debt carried
12 by the company during the period that the rates are in
13 effect. And I think that's -- I mean, in my opinion am
14 I not understanding that's the goal of ratemaking is to
15 represent the expenses, the revenues, the capitalization
16 over the period of time that rates are in effect and
17 there is my schedules show that they carry at least 10
18 percent short-term debt consistently for three-year
19 periods all the way as far as specifically in this case
20 from September 20, 2019 until the May 20, 2021. So yes,
21 a third of a month should not be the determination of
22 what is going to be expected going forward while rates
23 are in effect.

24 Q. And you just touched on something I just want
25 to clarify for my edification. You said it's a

1 consistent 10 percent of short-term debt. Mr. Woodard
2 testified earlier that these are very short term. It's
3 a constant turnover. That doesn't explain away your
4 theory. Your theory is whether it's a constant or
5 whether it's one piece of short-term debt that will last
6 for X amount of time. It's short-term debt.

7 A. I understand the notion and I think some
8 people try to get short-term debt eliminated by saying
9 it's a bridge. Well, the amount up to CWIP is a bridge.
10 Anything above that, that's being constantly maintained
11 with gas companies. Gas companies are definitely a
12 different animal. So I disagree with comparing them
13 completely to electric utilities. They have the heating
14 season. That used to be the logic for assigning
15 short-term debt cost to gas inventories. That occurred
16 through the PGA/ACA process. That occurred from 2002
17 until the 2017 rate case. And I can confidently tell
18 you that during that period of time the carrying charges
19 on stored gas was based on what's supposed to be a
20 short-term debt rate. It wasn't the commercial paper
21 rate. That's about \$100 million or a 100 million
22 balance that typically had been in their rate base. And
23 so before that the company actually had recommended
24 short-term debt be included in the capital structure
25 before these inventories got moved over into the

1 PGA/ACA. I think the reason why that was done in 2002
2 was because gas prices skyrocketed. We had \$2 gas and
3 it went up to 8, 9. It was all over the place. But I
4 think, you know, the company also said short-term debt
5 costs can change considerably. So I think they felt
6 like this may be a way to capture both. The point being
7 is this is not a foreign concept. It's definitely
8 something that used to be the company's logic and
9 position as well.

10 Q. What level triggers short-term debt being
11 included into capital structure?

12 A. Once the short-term debt exceeds CWIP and
13 these deferred gas costs, then, yeah, do you think it's
14 material. I think that anything -- I mean, I've
15 included short-term debt and the Commission has included
16 short-term debt when it ordered the capital structure
17 for Missouri Gas Energy now with Spire West in the
18 Southern Union case in 2009. They put short-term debt
19 in the capital structure of 2, 3 percent, somewhere
20 around there. Actually that wasn't my recommendation.
21 My recommendation was based on hypothetical. That was
22 somebody else's recommendation. But anyway, if it's
23 consistently and materially being carried, it's not up
24 and down over say from cycle to cycle and it hits a
25 threshold of 2 to 3 percent, yeah, especially with the

1 extremely low costs we have right now. .2 to .3 percent
2 is a pretty good margin if you can get a long-term rate
3 of return assigned to those assets. I think you have to
4 take that into consideration as well.

5 Q. It sounded like you have agreed with Dr. Won
6 that the cost for short-term assets and CWIP and
7 whatever is excess of that should go into short-term
8 debt, and the second answer that Dr. Won had, I asked
9 him why not this rate case. He said they're going to
10 look at it for the future. Is that correct? Is it
11 ready to be looked at now?

12 A. Definitely needs to be looked at now. They
13 did the same thing -- The Company did the same thing in
14 this case they did in the 2017 case. I disagreed with
15 it then. I disagree with it now. What they do is they
16 issue long-term debt right in time for the end of the
17 true-up period. So in this case May 20, 2021. In the
18 2017 case, they issued the long-term debt. I believe
19 the true-up was September 30, 2017, issued the long-term
20 debt and then pretended like that long-term debt reduced
21 the short-term debt going back 19, 20 months. That is
22 inappropriate. That is not -- It's fictitious. It does
23 not reflect how they are supporting their investments.
24 It is improper. It's manipulation right now.

25 Q. So you're saying that this rate case is the

1 second example and two is too many?

2 A. One was too many, in my opinion.

3 Q. Okay. Thank you very much. What amount of
4 short-term debt did Spire Missouri have immediately
5 prior to the conversion on May 21, 2021? We've heard
6 about that change from some short term to long term.

7 A. Be patient with me. I have something in a
8 schedule.

9 Q. Take your time.

10 A. In my direct, I have September 30, 2020, which
11 was the end of the test year. That was 10.64 percent.
12 Let me take a look at Mr. Woodard's schedule. He
13 provides it all the way through the true-up. As of
14 December 31, 2020, short-term debt, this is an average
15 for the previous 13 months in each of his schedules, was
16 393,675,000. He doesn't have it broken down in
17 percentages.

18 Q. Okay. That's all right. I thought you might
19 have different numbers. Actually while you have that
20 there, do you know the amount of short-term debt that
21 was converted?

22 A. 305 million -- Well, it was a net of 250
23 because 55 million was used to refinance long-term debt,
24 250 million was used to refinance short-term debt.

25 Q. Okay. Let's talk dividends. In your

1 testimony you discussed Spire Missouri's dividend
2 payment history. I want to just for the record lay out
3 the dividend payment process specific to this situation.

4 Who owns common stock in Spire Missouri?

5 A. Spire, Inc.

6 Q. Who does Spire Missouri pay dividends to?

7 A. Spire, Inc.

8 Q. And that is Spire, Inc. the holding company?

9 A. Yes.

10 Q. Does Spire, Inc. receive dividends from its
11 other subsidiaries?

12 A. Yes. It does not depend on the non-regulated
13 entities to fund the dividends that are paid ultimately
14 to the shareholders because it's just as consistent of
15 cash flow.

16 Q. What does Spire, Inc. do with the dividends?

17 A. To some extent it's supporting the dividends
18 that it pays ultimately to the shareholders of Spire,
19 Inc.'s -- that own Spire, Inc.'s common stock. But I
20 mean, this is where Mr. Woodard as far as the treasury,
21 once the money goes into the treasury, they're
22 constantly -- and there is a consolidated commercial
23 paper program that Spire, Inc. issues the commercial
24 paper. So once that commercial paper comes into the
25 treasury, it's hard to say for sure what -- if that

1 dividend that's paid by Spire Missouri or Spire Alabama
2 or Spire Gulf to Spire, Inc. is going directly to the
3 Spire, Incorporated shareholders. They just target a
4 dividend payment and their payout ratio is about 60
5 percent. It stays that at Spire, Inc. So if they don't
6 have the cash flows because there's timing, then they'll
7 just issue commercial paper to fund the dividend payment
8 because the utility investors depend on consistent and
9 hopefully growing dividends or else the company is going
10 to have a hard time attracting capital.

11 Q. Spire, Inc. is a 100 percent owner, correct?

12 A. Yes.

13 Q. So it receives 100 percent of those dividends?

14 A. Yes.

15 Q. Okay. Do you have a copy of Spire's annual
16 financial statement for the period ending September 30,
17 2020?

18 A. I do not have one in front of me, no.

19 Q. I'm going to read it for you. I'm reading on
20 page 11. As a holding company, Spire depends on its
21 operating subsidiaries to meet its financial
22 obligations. Spire is a holding company with no
23 significant assets other than the stock of its operating
24 subsidiaries and cash investments. Spire and Spire
25 Missouri prior to the holding company's formation in

1 2000 has paid common stock dividends continuously since
2 1946. Spire's ability to pay dividends to its
3 shareholders is dependent on the ability of its
4 subsidiaries to generate sufficient net income and cash
5 flows to pay upstream dividends and make loans or loan
6 repayments. In addition, because it is a holding
7 company and a substantial portion of its assets are
8 represented by its holdings in the utilities, the risks
9 faced by the utilities as described below under, all
10 caps, risks that relate to the gas utility segment may
11 also adversely affect Spire's cash flows, liquidity,
12 financial condition and results of operations.

13 My question, what does that statement mean
14 about how funds flow between Spire, Inc. and its
15 subsidiaries?

16 A. The only way to distribute funds to Spire,
17 Inc. is through dividends from its subsidiaries.

18 Q. Okay. So the situation we were just
19 discussing?

20 A. The only other way would be through a loan.
21 You have to have legitimate transactions. So it would
22 be dividends upstream from their subsidiaries.

23 MR. CLIZER: Judge, I don't mean to interrupt
24 your flow. I'm sorry. What was that you were reading
25 from?

1 JUDGE HATCHER: This is Spire's Annual
2 Financial Statement for the period ending September 30,
3 2020, page 11.

4 MR. CLIZER: Would that would be the 10-K?
5 Never mind.

6 JUDGE HATCHER: Thank you for letting me off
7 the hook. Mr. Murray, I have no further questions.

8 THE WITNESS: Thank you.

9 JUDGE HATCHER: You're not excused. I'm
10 sorry. This does get us to recross. However,
11 Mr. Murray is our last witness. It is three o'clock.
12 It is normally time for our break. I would prefer to
13 push forward unless somebody needs to take a break.
14 Let's take a break. We'll call it ten minutes, 3:10
15 let's come back. We're at recess. Off the record.

16 (Off the record.)

17 JUDGE HATCHER: Let's go back on the record.
18 We are in the midst of our last witness on the last day
19 of testimony in Spire's general rate case GR-2021-0108.
20 We have just concluded questions from the Regulatory Law
21 Judge to Witness Murray. That triggers
22 recross-examination. First we will go to Mr. Thompson.

23 MR. THOMPSON: No questions. Thank you,
24 Judge.

25 JUDGE HATCHER: Thank you. Next we go to the

1 Company.

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

3 JUDGE HATCHER: Redirect. Mr. Clizer.

4 MR. CLIZER: Thank you, Judge.

5 REDIRECT EXAMINATION BY MR. CLIZER:

6 Q. All right. There are several things I would
7 like to discuss with you. First let's start with the
8 questions from the bench regarding the impact of having
9 that high equity ratio on customers. Do you recall
10 getting the question from the bench?

11 A. Yes.

12 Q. I feel like we need to break things down on a
13 most basic level. What is the impact of having a high
14 equity ratio on customer rates?

15 A. They're higher. It's a higher revenue
16 requirement assuming using the same ROE but it's as high
17 a revenue requirement plus you have a tax gross-up
18 factor on equity which makes it even more magnified.

19 Q. How does that factor into your concern
20 regarding maintaining the existing Spire equity to debt
21 ratio?

22 A. Based on my analysis of Spire Missouri's
23 credit metrics which produce healthy cash flows
24 consistent with apparently a higher economical credit
25 rating, which they don't receive credit for, that

1 customers are paying at least 20 million. With true-up
2 it's going to be even higher. Let's just say in the \$20
3 to \$25 million range higher rates per year to achieve
4 credit metrics that they don't get credit for from
5 specifically Standard & Poor's.

6 Q. Let's break down that 20 mil real quick
7 because won't decreasing the equity ratio increase debt
8 make it more expensive, make things worse?

9 A. No. All you have to do is the holding company
10 has to quit using the debt capacity that it is afforded
11 from its subsidiaries. So you can offset the subsidiary
12 increase debt capacity, well, the debt capacity that it
13 rightfully should be able to use, and reduce the holding
14 company debt which like we've talked about its only
15 assets are its ownership in its subsidiaries.

16 Q. So moving to your proposed equity to debt
17 ratio will benefit customers without harming the
18 company?

19 A. Yes.

20 Q. All right. There was quite a bit of
21 discussion about short-term debt. Do you recall the
22 Judge asking you how you came up with your 7 percent
23 number?

24 A. Yes.

25 Q. And you had mentioned Schedule 2 of

1 Mr. Woodard's direct, I believe?

2 A. Yes.

3 Q. Just for the sake of clarification, can you
4 walk us through the math on say the first month in that
5 schedule so we understand what you're talking about?

6 A. Yes. For September 2019, actually the
7 deferred gas costs, including propane, is actually a
8 negative value which indicates that, you know, CWIP is
9 going to be reduced by, let me just add it up here real
10 quick. So the CWIP balance is 96 million. Because
11 there are deferred gas liabilities of negative 25
12 million which the customers are supposed to be provided
13 consideration for the fact that the company has the
14 customers' money for those PGAs. You need to offset the
15 CWIP by 6 million. So that means that there's only a
16 short-term asset balance of 91 million in September of
17 2019, and that shows up in his final calculation there.
18 But the biggest problem is all you should be doing is
19 taking that 386 million of short-term debt outstanding
20 minus that 90 million to determine the net short-term
21 debt balance for that month is 296 million. But the
22 company pretends like \$250 million of long-term debt
23 that's issued just in May was issued 20 months ago. So
24 they make a pro forma adjustment. So that's not
25 reality. That's not how -- it's not there. Pro forma

1 adjustments are usually going forward. They call this a
2 pro forma adjustment. I call this a rewriting of
3 history.

4 Q. So did I hear you say something in the effect
5 there's \$91 million in short-term assets plus CWIP, and
6 how much, 300, 400 million of short-term debt?

7 A. 386 million of short-term debt.

8 Q. And you're saying the company is erring
9 because it's doing what exactly?

10 A. It's rewriting history and pretending like it
11 has \$250 million of long-term debt to refinance the
12 short-term debt in September 2019, based on a long-term
13 debt that's issued 20 months later.

14 Q. The Judge asked you several questions about
15 dividends. Do you recall that?

16 A. Yes.

17 Q. In particular I believe he asked you what does
18 Spire, Inc. do with its dividends. You talked about
19 paying them out to customers, or sorry, shareholders,
20 let me get my parlance correct. Is there anything else
21 that Spire does with the money it receives from its
22 utilities?

23 A. That's what provides it all the credit
24 support. That's what allows it to provide parental
25 guarantees mainly to Spire Marketing which it's

1 increased considerably over the last year. When we had
2 the spike in gas prices, you know, obviously the counter
3 parties want a financially sound entity to deal with and
4 the LDC support that credit quality that Spire,
5 Incorporated has. And so even if the dividends aren't
6 distributed to Spire, Incorporated because they're
7 reinvesting the proceeds back in Spire Missouri with
8 ISRS', they have a lot of -- they're assured of recovery
9 especially with the legislative change. So the -- drop
10 considerably and that's what provides the credit
11 strength of the holding company.

12 Q. I'm neither an economist nor an accountant or
13 any of those fancy things. Just for my education, a
14 parental guarantee is what exactly and how does that
15 work into this?

16 A. The parent is Spire, Incorporated. So if
17 Spire Marketing is a counter party to purchasing gas to
18 try to transport to another customer, the vendor that's
19 working with Spire Marketing realizes that Spire
20 Marketing doesn't have as sound of credit quality as
21 Spire, Incorporated which is supported by the utility.
22 So it wants Spire, Incorporated to backstop and be able
23 to follow through on that commitment and honor Spire
24 Marketing's obligation.

25 Q. And Spire, Inc. is using the money it gets

1 from the utilities to do this?

2 A. It's using the low business risk, the value of
3 the assets, because, like I said, it's not just a matter
4 of cash flow. It's a matter of the risk profile.

5 Q. Can you elaborate?

6 A. Yeah. Judge Hatcher asked about the dividend
7 payments that there are quarters where Spire Missouri is
8 retaining its earnings. Well, it's retaining its
9 earnings because they are accelerating their ISRS spend.
10 From an internal financial management standpoint, yes,
11 it makes no sense to go ahead and pay the dividend up
12 and then have the capital contributor right back down
13 into Spire Missouri. Just leave it there. But it's
14 still part of one consolidated enterprise. If it wasn't
15 for not just Spire Missouri, I keep saying Spire
16 Missouri, Spire Alabama, Spire Gulf, they make all this
17 possible as far as the sound credit position at the
18 parent level.

19 Q. You were asked a question by the Judge what
20 would happen if the Commission didn't accept Spire's --
21 your proposed capital structure and you mentioned other
22 capitalization policies and I think -- Do you recall
23 that?

24 A. I think he was wondering if there's anything
25 else that could be considered to be a consideration

1 other than the recommendations that are before the
2 Commission.

3 Q. Do you recall telling him that there were
4 other capitalization policies at Spire, Inc. that could
5 be used?

6 A. Yes.

7 Q. Where would those be cited?

8 A. In the board of director materials.

9 Q. And that's the confidential material that
10 you're alluding to?

11 A. Yes.

12 Q. Going back to the cross that you received from
13 Company, you were asked about a recommendation in the
14 Empire Electric Company case. Do you recall that?

15 A. Yes.

16 Q. What was the outcome of that case with regard
17 to the specific recommendation you made?

18 A. The Commission awarded a 9.25 percent and a
19 capital structure of 46 percent equity, 54 percent
20 long-term debt. Again an electric utility so different
21 circumstances as far as short-term debt but also a
22 situation where there was a leverage used at the holding
23 company.

24 Q. The Company also asked you about a
25 Missouri-American Water case. Do you recall that?

1 A. Yes.

2 Q. Where you again recommended 9.25?

3 A. Yes.

4 Q. What was the outcome of that case?

5 A. That case settled.

6 Q. What was ordered with regard to the capital
7 structure in that case as part of the settlement?

8 A. There was no capital structure identified in
9 that settlement.

10 Q. You're saying it's black boxed?

11 A. Yes.

12 Q. You were asked a cross question by counsel for
13 Staff regarding flotation costs, and you indicated that
14 you believe that they contradicted the arguments raised
15 by Spire, Inc. regarding its capital structure. Do you
16 recall that?

17 A. Yes.

18 Q. Are there other factors that contradict the
19 capital structure argument?

20 A. Just obviously the actively managed Spire,
21 Incorporated capital structure that I've discussed in my
22 testimony and the static commission directed 54.2
23 percent that apparently if it continues is going to be
24 the ongoing capital structure. But the point being is
25 that, you know, the fact that the Company has come back

1 and contradicted themselves in this, this is
2 Mr. D'Ascendis and Mr. Woodard that these holding
3 company security issuances benefit Spire Missouri and
4 therefore the flotation costs should be paid by Spire
5 Missouri customers, that is entirely inconsistent with
6 saying that Spire Missouri is an independent company.

7 MR. CLIZER: Thank you. I have no further
8 redirect.

9 JUDGE HATCHER: Thank you, Mr. Clizer. Before
10 the witness is excused, and I do not want to ask the
11 witness any more questions, I want to ask Mr. Clizer but
12 this may involve the witness. So I want to keep you
13 here. In your opening statement you mentioned a study
14 or analysis that OPC has performed comparing the monthly
15 or quarterly short-term debt to short-term assets.

16 MR. CLIZER: I'm going to defer that back to
17 you actually.

18 THE WITNESS: It's in the opening statement?

19 JUDGE HATCHER: In Mr. Clizer's opening
20 statement --

21 MR. CLIZER: I think what I was referring to
22 was the fact that the testimony that Mr. Murray put
23 forward that it's been approximately 7 percent of their
24 short-term debt was supporting rate base, i.e., was not
25 supporting CWIP balance.

1 THE WITNESS: I think you referred to
2 Woodard's.

3 MR. CLIZER: Or I was referring to
4 Mr. Woodard's analysis in his direct.

5 THE WITNESS: Surrebuttal.

6 MR. CLIZER: Surrebuttal. My apologies.

7 JUDGE HATCHER: Thank you. We've got it.
8 You're excused.

9 THE WITNESS: Thank you.

10 (Witness excused.)

11 JUDGE HATCHER: For those listening on the
12 live stream and on the WebEx and in the hearing room, we
13 are within five minutes of closing this evidentiary
14 hearing altogether. This is the last day of testimony.

15 Let us turn to some announcements or issues.
16 I have a handful of exhibits that we have discussed, I'm
17 looking at counsel, that we were going to, by "we," I
18 mean you, are going to submit at a later date. And we
19 had discussed a couple of dates. Is Monday the 10th
20 currently the latest date that I have assigned? I'm
21 looking at the attorneys that are likely going to be
22 doing that putting together.

23 MR. APLINGTON: Your Honor, the 10th is
24 Tuesday. I believe that that is the date we discussed.

25 JUDGE HATCHER: Tuesday works for me. All the

1 parties have until Tuesday to submit the exhibits that
2 we previously discussed as being outstanding. If
3 Tuesday is the 10th, is that Friday the 13th?

4 MR. CLIZER: It is.

5 JUDGE HATCHER: Friday the 13th objections to
6 aforementioned late filed exhibits will be due.

7 MR. CLIZER: Your Honor, you had mentioned
8 with regard to the exhibits presented and offered and
9 accepted by parties that you wanted those sent directly
10 to you. I believe you had mentioned something about
11 within the 10 business days that we expect to turn
12 around the transcript. I don't know if you had a ruling
13 on exactly when we should be doing that.

14 JUDGE HATCHER: Let's set a date. What
15 Mr. Clizer and I are discussing is with some of our
16 COVID precautions the Commission has altered the way it
17 receives Commission exhibits to put into the record on
18 EFIS. So for the past however many months, and we will
19 continue for this hearing, the Regulatory Law Judge will
20 take the responsibility of submitting those.

21 How that works is I don't need them until I
22 get the official transcript turned in. That takes 10
23 business days. That's where the 10 business days comes
24 in. That's what I base my calendar on. So we're at the
25 13th is one week from today. The 20th should be two

1 Fridays. So the 20th I'm seeing head nods. What was
2 the due date for?

3 MR. CLIZER: Offered and accepted exhibits
4 from parties.

5 JUDGE HATCHER: Yes, to send to the Judge.
6 Send all of your exhibits. Send me all of your exhibits
7 and I will just forward those with the transcript making
8 sure that they are marked with the appropriate exhibit
9 number.

10 MR. CLIZER: Not to add more confusion then,
11 does the Judge want us to send copies of the prefiled
12 testimony or will you still be taking those from?

13 JUDGE HATCHER: The errata sheets I don't
14 have. I'm getting more comfortable with this emailing
15 on procedural issues. So I will touch base by email
16 with counsel -- I'm going on vacation -- so it will be
17 late next week as to if I'm missing any. What I don't
18 want to do is I do not want -- I'm responsible for the
19 record. So I want to make sure that whatever exhibits
20 we've all agreed to make it in.

21 Anything else? It's been a long week. I'm a
22 little scatterbrained, which is not out of the norm.

23 MR. CLIZER: Does the current schedule include
24 briefing? I apologize. I haven't looked at it. Are we
25 standing on that briefing schedule?

1 JUDGE HATCHER: Until I hear otherwise. And I
2 brought up the schedule just in case I got asked. Right
3 now initial briefs September 7, reply briefs September
4 17. November 11 is our operation of law date.
5 Operation of law date means the decision has to be out
6 or the Commission has to reject the tariffs or they go
7 into effect by operation of law.

8 That is the date we are all aiming for. Any
9 other questions, announcements, issues? Yes, sir.

10 MR. APLINGTON: Your Honor, there's also a
11 true-up evidentiary hearing currently scheduled for
12 Monday, the 23rd. I was going to suggest that counsel
13 work together and advise our RLJ whether or not that's
14 going to be necessary.

15 JUDGE HATCHER: That's an excellent
16 suggestion. Anything else? The evidentiary hearing for
17 the Spire general rate case captioned GR-2021-0108 is
18 adjourned and off the record, finally adjourned.

19 (Off the record.)
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CERTIFICATE OF REPORTER

I, Beverly Jean Bentch, RPR, CCR No. 640, Certified Court Reporter with the firm of Tiger Court Reporting, LLC, within the State of Missouri, do hereby certify that I was personally present at the proceedings had in the above-entitled cause at the time and place set forth in the caption sheet thereof; that I then and there took down in Stenotype the proceedings had; and that the foregoing is a full, true and correct transcript of such Stenotype notes so made at such time and place.

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