

*Exhibit No.:*  
*Issue:* 2018 ISRS Remand  
*Witness:* Karen Lyons  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case Nos.:* GO-2018-0309 and  
GO-2018-0310  
*Date Testimony Prepared:* May 20, 2020

**MISSOURI PUBLIC SERVICE COMMISSION**  
**FINANCIAL AND BUSINESS ANALYSIS DIVISION**  
**AUDITING DEPARTMENT**

**REBUTTAL TESTIMONY**  
**OF**  
**KAREN LYONS**

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

**CASE NO. GO-2018-0309**  
**Spire Missouri East Service Territory**

**CASE NO. GO-2018-0310**  
**Spire Missouri West Service Territory**

*Jefferson City, Missouri*  
*May 2020*



1 **SPIRE MISSOURI REMAND REFUNDS**

2 Q. What is Spire Missouri's proposal regarding the proposed refund in this  
3 proceeding?

4 A. Spire Missouri recommends a refund amount of \$1,117,865 for Spire East and  
5 \$3,874,438 for Spire West.<sup>1</sup> Spire Missouri's total recommended refund for both jurisdictions  
6 is \$4,992,303.

7 Q. Does Staff agree with Spire Missouri's recommended refund amount for  
8 Spire East and Spire West?

9 A. No. Staff recommends a refund amount of \$5,367,021 for Spire East and  
10 \$10,152,221 for Spire West. There are several differences between Staff and Spire Missouri's  
11 recommended refund. One of the major differences between Staff and Spire Missouri is the  
12 Company use of the average service life of mains and services to determine the refund amount.  
13 Staff Witness Jeremy Juliette will address the other differences between Spire Missouri and  
14 Staff's recommended refund amounts in his rebuttal testimony with the exception of the average  
15 service life.

16 Q. Explain how Spire used the average service life in its determination of the refund  
17 amount for Spire East and Spire West.

18 A. In its refund calculation, Spire Missouri excluded the value of replacements of  
19 cast iron and steel mains that exceeded their useful service life at the time of the mains'  
20 retirement. To make this adjustment Mr. Selinger developed a percentage comparing the  
21 footage of cast iron and steel retirements that exceeded its useful life to the total footage of cast  
22 iron and steel. To develop this percentage, Mr. Selinger used the workorders found in

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<sup>1</sup> Wesley E. Selinger Direct Testimony, Page 18, Lines 14-15 and Page 19, Lines 1-2.

1 OPC Exhibits 202, 208 and 209<sup>2</sup> in the initial Case Nos. GO-2018-0309 and GO-2018-0310.  
2 Spire Missouri considers infrastructure replacements that exceeded the useful service life to be  
3 worn out or deteriorated and therefore ISRS eligible.

4 Based on Mr. Selinger's analysis and approach, 87.06% of cast iron facilities replaced  
5 exceeded their useful life and, therefore, the replacements are eligible for ISRS recovery. In his  
6 revised revenue requirement calculation he used 87.06% of the costs to determine the ISRS  
7 eligible costs for cast iron. Using the same methodology, he determined that the replacement  
8 costs for 35.85% of steel mains and 99.73% of steel services should also be considered eligible  
9 ISRS costs.

10 Q. Is the methodology used by Mr. Selinger consistent with the methodology used  
11 to determine the original revenue requirements approved by the Commission for Case Nos  
12 GO-2018-0309 and GO-2018-0310?

13 A. No. Spire did not argue that the useful life of the replaced cast iron and steel  
14 facilities should be used to determine the revenue requirement in the initial 2018 cases or any  
15 other previous ISRS cases.

16 Q. What was Spire's approach to determining the ISRS revenue requirement for  
17 cast iron and bare steel replacements in the 2018 cases?

18 A. In its original application made on June 7, 2018, Spire Missouri asserted that  
19 every cast iron and bare steel main replacement, service transfer, and service replacement was  
20 a replacement for worn out or deteriorated facilities as required for ISRS cost recovery under  
21 the ISRS statute<sup>3</sup>.

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<sup>2</sup> Wesley E. Selinger Direct Testimony, Page 19, Line 15.

<sup>3</sup> See Appendix A, Schedules 3 and 4 of Spire Missouri's application.

1 Q. Did Staff use the same methodology it used in the initial 2018 ISRS cases to  
2 remove plastic materials to calculate the recommended refund in the 2018 remand cases for cast  
3 iron and steel mains and services lines?

4 A. Yes. Staff's methodology is consistent with the initial 2018 ISRS cases by using  
5 the plastic allowance methodology that was previously approved by the Commission to exclude  
6 cast iron, steel, and service lines that were not shown to be worn out or deteriorated.<sup>4</sup> Staff's  
7 position is that this same methodology is the most appropriate method to value the cost of  
8 replaced cast iron and steel mains and service lines not demonstrated by Spire to be worn out  
9 or deteriorated.

10 Q. Would you consider Mr. Selinger's testimony addressing the development and  
11 use of an average service life percentage to determine the amount of allowable costs for cast  
12 iron and bare steel mains and bare steel service lines to be new evidence in this proceeding?

13 A. Yes. In addition, this methodology is not in accordance with the findings of the  
14 Missouri Court of Appeals, Western District Opinion ("Court Opinion").

15 Q. Did the Court Opinion provide guidance on the average service life?

16 A. Although the Court addressed the age of the facilities, based on my review of  
17 the Court Opinion the Court did not find that citations to the age of the facilities was sufficient  
18 evidence to support that the replaced facilities were worn out or deteriorated. The Court stated<sup>5</sup>:

19 A review of the record reveals that Spire's primary argument revolved  
20 around the age of the facilities and the assumption that old facilities must  
21 be worn out or deteriorated. There was no evidence with respect to how  
22 long it takes cast iron and steel to become worn out or deteriorated.

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<sup>4</sup> See Staff Direct Report filed on May 13, 2020, Page 2, Lines 24-27 and Page 3, Lines 1-3.

<sup>5</sup> Missouri Western District Court of Appeals Opinion issued November 19, 2019, Page 13.

1                   Moreover, the evidence suggested that the time for the deterioration to  
2                   occur is different from location to location.

3           Q.       Does Staff have other concerns with Spire Missouri's proposed refund amount?

4           A.       Yes. The total refund amount of \$4.9 million proposed by Spire Missouri is not  
5 consistent with the \$12.8 million estimated refund amount the Company reported in its quarterly  
6 10-Q filing with the Security Exchange Commission ("SEC") filed on May 8, 2020. The  
7 Company states on page 29 of its quarterly 10-Q:

8                   As reported last year, on November 19, 2019, the Missouri Western  
9                   District Court of Appeals issued rulings ("ISRS rulings") that determined  
10                  certain capital investments in 2016 through 2018 were not eligible for  
11                  recovery under the ISRS. The ISRS rulings upheld appeals by the OPC  
12                  that contested recovery of portions of Spire Missouri's ISRS and  
13                  overturned the three prior MoPSC decisions.

14                  On January 2, 2020, Spire Missouri submitted Applications for Transfer  
15                  to the Missouri Supreme Court. The MoPSC also submitted Applications  
16                  for Transfer to the Missouri Supreme Court that advanced similar  
17                  positions as Spire Missouri. On March 17, 2020, the Missouri Supreme  
18                  Court denied the Applications for Transfer of all three ISRS rulings, and  
19                  they have been remanded to the MoPSC to determine the appropriate  
20                  refund, if any, that may be required. Spire Missouri is participating in the  
21                  remand proceedings. The MoPSC must issue its decisions regarding the  
22                  appropriate amount of refunds, if any, by July 16, 2020.

23                  Spire Missouri has recorded an estimate of the maximum impact of the  
24                  ISRS rulings based on its interpretation of the rulings and evidence  
25                  available. As of September 30, 2019, Spire Missouri recorded an  
26                  estimated \$12.2 regulatory liability for this matter by reducing revenue  
27                  for fiscal year 2019. There were two components of this provision. The  
28                  first related to a \$4.2 refund ordered by the ISRS rulings for amounts  
29                  collected prior to the last rate case, after which recoveries of related  
30                  authorized revenues became part of base rates that went into effect in  
31                  April 2018. **The second component related to an estimate of \$8.0 for**  
32                  **revenues associated with the June 2018 ISRS filing that was approved**  
33                  **by the MoPSC effective October 8, 2018. During the first six months**  
34                  **of fiscal 2020, additional provisions totaling \$4.2 were recorded to the**  
35                  **regulatory liability for ISRS revenues related to customer billings**  
36                  **recorded during this period under the June 2018 ISRS filing, along**  
37                  **with a \$0.6 provision for interest due on the entirety of the ISRS**  
38                  **revenues in dispute if refunded. [Emphasis added.]**

1 Q. Did Staff request support for the estimated refund amounts included in Spire  
2 Missouri's 10-Q filed with the SEC on May 8, 2020?

3 A. Yes. In response to Staff Data Requests<sup>6</sup> asking for support for the estimated  
4 refund amounts included in the 10-Q filed on May 8, the Company provided support. The table  
5 below reflects the estimated refund amounts for Spire East and Spire West:

6

<b>Spire Missouri Estimated Refund – 10-Q SEC filing</b>			
	Spire East	Spire West	Total
Total Estimated Refund before Interest	\$4,137,793	\$8,715,135	\$12,852,928
Interest Adjustment	\$96,132	\$201,875	\$298,007
<b>Total Estimated Refund including Interest</b>	<b>\$4,233,925</b>	<b>\$8,917,010</b>	<b>\$13,150,935</b>

7  
8 Q. How is the estimated refund amount in the 10-Q SEC filing different from  
9 Staff's recommended refund amount provided earlier in this testimony?

10 A. Staff's total recommended refund for Spire Missouri is \$15,519,242. Staff  
11 calculated the refund amount through July 16, 2020. The difference between Spire Missouri's  
12 estimated refund in its 10-Q filing with the SEC and Staff's recommended refund for  
13 Spire Missouri is \$2,368,307. This difference is largely attributable to the date the refund  
14 amounts were calculated. The estimate included in Spire Missouri's 10-Q filing with the SEC  
15 is calculated through April 30, 2020 and as previously stated, Staff's recommended refund is  
16 calculated through July 16, 2020

17 Q. Does this conclude your testimony?

18 A. Yes.

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<sup>6</sup> Case No. GO-2018-0309, Staff Data Request No. 0015 and Case No. GO-2018-0310, Staff Data Request No. 0010. (*see* attached Schedule KL-r1)

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

In the Matter of the Application of Spire )  
Missouri Inc. to Establish an Infrastructure ) Case No. GO-2018-0309  
System Replacement Surcharge in its Spire )  
Missouri East Service Territory )

In the Matter of the Application of Spire )  
Missouri Inc. to Establish an Infrastructure ) Case No. GO-2018-0310  
System Replacement Surcharge in its Spire )  
Missouri West Service Territory )

**AFFIDAVIT OF KAREN LYONS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF JACKSON )

**COME NOW** Karen Lyons and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony*; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

*/s/ Karen Lyons* \_\_\_\_\_  
Karen Lyons

## Missouri Public Service Commission

### Data Request

<b>Data Request No.</b>	0015
<b>Company Name</b>	Spire-Investor(Gas)
<b>Case/Tracking No.</b>	GO-2018-0309
<b>Date Requested</b>	5/14/2020
<b>Issue</b>	General Information & Miscellaneous - Infrastructure System Replacement (ISRS)
<b>Requested From</b>	Lew Keathley
<b>Requested By</b>	Bob Berlin
<b>Brief Description</b>	ISRS Regulatory Liability balance
 <b>Description</b>	 Provide the estimated amount Spire Missouri recorded as a regulatory liability for the estimated refund for Case Nos GO-2018-0309 and GO-2018-0310 including the date it was recorded. To the extent Spire Missouri revised the estimate, provide the date it was changed, the revised estimate and the reason why the estimate was changed. Provide all analyses that support the estimate in excel format with formulas intact. Data Request submitted by Karen Lyons: karen.lyons@psc.mo.gov
<b>Due Date</b>	5/18/2020

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. GO-2018-0309 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Spire-Investor(Gas) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to Spire-Investor(Gas) and its employees, contractors, agents or others employed by or acting in its behalf.

<b>Security</b>	Public
<b>Rationale</b>	NA

## Missouri Public Service Commission

### Respond Data Request

<b>Data Request No.</b>	0015
<b>Company Name</b>	Spire-Investor(Gas)
<b>Case/Tracking No.</b>	GO-2018-0309
<b>Date Requested</b>	5/14/2020
<b>Issue</b>	General Information & Miscellaneous - Infrastructure System Replacement (ISRS)
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<b>Response</b>	Please see the attached.
<b>Objections</b>	NA

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<b>Security :</b>	Public
<b>Rationale :</b>	NA

**Missouri Public Service Commission****Data Request**

<b>Data Request No.</b>	0010
<b>Company Name</b>	Spire-Investor(Gas)
<b>Case/Tracking No.</b>	GO-2018-0310
<b>Date Requested</b>	5/14/2020
<b>Issue</b>	General Information & Miscellaneous - Infrastructure System Replacement (ISRS)
<b>Requested From</b>	Lew Keathley
<b>Requested By</b>	Bob Berlin
<b>Brief Description</b>	ISRS Regulatory Liability balance
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<b>Security</b>	Public
<b>Rationale</b>	NA

## Missouri Public Service Commission

### Respond Data Request

<b>Data Request No.</b>	0010
<b>Company Name</b>	Spire-Investor(Gas)
<b>Case/Tracking No.</b>	GO-2018-0310
<b>Date Requested</b>	5/14/2020
<b>Issue</b>	General Information & Miscellaneous - Infrastructure System Replacement (ISRS)
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<b>Security :</b>	Public
<b>Rationale :</b>	NA

Data Request 0015 for GO-2018-0309

Provide the estimated amount Spire Missouri recorded as a regulatory liability for the estimated refund for Case Nos GO-2018-0309 and GO-2018-0310 including the date it was recorded. To the extent Spire Missouri revised the estimate, provide the date it was changed, the revised estimate and the reason why the estimate was changed. Provide all analyses that support the estimate in excel format with formulas intact.

Data Request submitted by Karen Lyons: [karen.lyons@psc.mo.gov](mailto:karen.lyons@psc.mo.gov)

**Due Date:** 5/18/2020

Case Nos GO-2018-0309

Accounting period ended 9/30/2019 (FY2019) – an estimated regulatory liability was recorded of \$2,596,733. No estimate of interest was recorded in FY2019 due to materiality and the limited time available to assess that part of the refund after the ruling was received.

Accounting month ended 10/31/2019 (FY2020) – an additional estimated regulatory liability was recorded of \$206,360. The reason the estimate was changed was to account for revenue earned on an accrual basis in the month of October. An estimate liability was recorded for interest due \$54,603, this estimate included the impact on the full refund including 2019. The reason why it included the 2019 amount is because that amount was not recorded in 2019 due to materiality and the limited time available to assess that part of the refund after the ruling was received.

Accounting months ended 11/30/2019, 12/31/2019, 1/31/2020, 2/29/2020, 3/31/2020, 4/30/2020– an additional estimated regulatory liability was recorded in each of these months, the reason the estimate was changed was to account for revenue earned on an accrual basis in these months. A schedule of these adjustments is provided in the spreadsheet titled "ISRS Refund Calculations - Revenue.xlsx". An additional estimated regulatory liability was recorded for interest due on the balance of the estimated refund. A schedule of these adjustments is provided in the spreadsheet titled "ISRS Refund Calculations 2018 Remand - Interest as of 04302020.xlsx".

Case Nos GO-2018-0310

Accounting period ended 9/30/2019 (FY2019) – an estimated regulatory liability was recorded of \$5,456,336. No estimate of interest was recorded in FY2019 due to materiality and the limited time available to assess that part of the refund after the ruling was received.

Accounting month ended 10/31/2019 (FY2020) – an additional estimated regulatory liability was recorded of \$447,434. The reason the estimate was changed was to account for revenue earned on an accrual basis in the month of October. An estimate liability was recorded for interest due of \$114,512, this estimate included the impact on the full refund including 2019. The reason why it included the 2019 amount is because that amount was not recorded in 2019 due to materiality and the limited time available to assess that part of the refund after the ruling was received.

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refund. A schedule of these adjustments is provided in the spreadsheet titled "ISRS Refund Calculations 2018 Remand - Interest as of 04302020.xlsx".

Data Request 0010 for GO-2018-0310

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**Due Date:** 5/18/2020

Case Nos GO-2018-0309

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estimated refund. A schedule of these adjustments is provided in the spreadsheet titled "ISRS Refund Calculations 2018 Remand - Interest as of 04302020.xlsx".

**Spire Missouri  
Provision for Refund  
April 30, 2020**

	FY19	FY20	Interest	Total
Missouri East	\$ 2,596,733.00	\$ 1,541,060.00	\$ 96,132.00	\$ 4,233,925.00
Missouri West	\$ 5,456,336.00	\$ 3,258,799.00	\$ 201,875.00	\$ 8,917,010.00
Total	\$ 8,053,069.00	\$ 4,799,859.00	\$ 298,007.00	\$ 13,150,935.00

FY20 by Month	Oct	Nov	Dec	Jan	Feb	Mar	Apr	FY20 YTD
Missouri East	\$ 206,360.00	\$ 214,548.00	\$ 227,757.00	\$ 221,439.00	\$ 223,409.00	\$ 223,882.00	\$ 223,665.00	\$ 1,541,060.00
Missouri West	\$ 447,434.00	\$ 441,150.00	\$ 469,374.00	\$ 481,289.00	\$ 472,641.00	\$ 473,814.00	\$ 473,097.00	\$ 3,258,799.00
Interest	\$ 653,794.00	\$ 655,698.00	\$ 697,131.00	\$ 702,728.00	\$ 696,050.00	\$ 697,696.00	\$ 696,762.00	\$ 4,799,859.00