

*Exhibit No.:*  
*Issue(s):* *Report on Class  
Cost of Service,  
Overview of  
Staff's Filing*  
*Witness:* *Robin Kliethermes*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Corrected Direct  
Testimony*  
*Case No.:* *GR-2021-0108*  
*Date Testimony Prepared:* *June 9, 2021*

**MISSOURI PUBLIC SERVICE COMMISSION**

**INDUSTRY ANALYSIS DIVISION**

**TARIFF/RATE DESIGN DEPARTMENT**

**CORRECTED DIRECT TESTIMONY**

**OF**

**ROBIN KLIETHERMES**

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

**SPIRE EAST and SPIRE WEST  
GENERAL RATE CASE**

**CASE NO. GR-2021-0108**

*Jefferson City, Missouri  
June 2021*

**CORRECTED DIRECT TESTIMONY**

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GENERAL RATE CASE**

**CASE NO. GR-2021-0108**

Q. Please state your name and business address.

A. My name is Robin Kliethermes, and my business address is Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

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

A. I am employed by the Missouri Public Service Commission ("Commission") as the Regulatory Compliance Manager of the Tariff/Rate Design Department in the Industrial Analysis Division.

Q. Please describe your educational and work background.

A. A copy of my credentials are attached to Staff's Cost of Service report and Staff's Class Cost of Service report filed in this case.

Q. Is Staff aware of any errors in its class cost of service ("CCOS") study that impact its study results and its class revenue responsibility recommendation?

A. Yes. In preparing its rebuttal testimony Staff became aware of the following:

1. An unreasonable calculation related to the extrapolation of daily demand values into the Distribution Mains allocator for both Spire East and Spire West, and

2. An error related to the total revenue produced by each class for both Spire East and Spire West.

1 Q. What is the magnitude of the net impact of these errors to the Spire West  
2 rate district?

3 A. The Spire West Transportation class, which was reconfigured within the CCOS  
4 to include Large General Service and Large Volume Service customers who are transportation  
5 customers, was allocated fewer costs for distribution mains and a lower level of rate revenue  
6 than it otherwise should have been allocated in Staff's direct filed CCOS. The overall change  
7 resulted in an increase in the total cost of service for the transportation class of approximately  
8 \$4.6 million and an increase in the transportation class revenues of approximately \$1.5 million.

9 Q. What is the magnitude of net impact of these errors to the Spire East rate district?

10 A. De minimus. The magnitude of the net impact of the errors was a reallocation of  
11 around \$1.2 million in revenue responsibility, which did not change Staff's overall  
12 recommendation process for Spire East rate district.

13 Q. Could you provide the results of the revised study and provide Staff's revised  
14 class revenue responsibility recommendation?

15 A. Staff's Spire East interclass revenue responsibility recommendation process  
16 remains the same as filed on page 21 of its CCOS, reproduced here for convenience, with the  
17 corrected relevant values and resulting dollar and percent recommendations provided in the  
18 table that follows:

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

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

CORRECTED Direct Testimony of  
Robin Kliethermes

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

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

The results of these adjustments as applied to Staff’s direct case are provided below:

Spire East	Residential	Small General Service	Large General Service	Large Volume	LV Transport
Net Expenses	\$180,527,784	\$28,008,856	\$18,278,001	\$550,025	\$4,227,489
Return on Ratebase	\$81,965,045	\$14,204,286	\$9,336,237	\$236,842	\$2,908,177
Income Tax	\$15,641,127	-\$173,166	\$1,351,718	\$78,319	\$1,927,786
Total Cost of Service	\$278,133,956	\$42,039,976	\$28,965,956	\$865,186	\$9,063,452
Current Rate Revenue	\$274,919,487	\$28,712,915	\$26,527,299	\$996,002	\$14,847,435
\$ Change to Match Exactly	\$3,214,469	\$13,327,061	\$2,438,657	-\$130,816	-\$5,783,983
% Change to Match Exactly	1.17%	46.41%	9.19%	-13.13%	-38.96%
Equal Percentage Increase	\$10,268,253	\$1,072,428	\$990,796	\$37,201	\$554,552
Rate Revenue with Equal Increase	\$285,187,740	\$29,785,343	\$27,518,095	\$1,033,203	\$15,401,987
\$ Change to Match Exactly, after Equal In	-\$7,053,784	\$12,254,633	\$1,447,861	-\$168,017	-\$6,338,536
% Change to Match Exactly, after Equal In	-2.57%	42.68%	5.46%	-16.87%	-42.69%
\$ Change Recommended Step 1	\$3,214,469			\$0	\$0
\$ Change Recommended Step 2		\$5,053,582	\$2,438,657		
\$ Change Recommended Step 3		\$2,229,332			
Recommended Class Revenue Responsibility	\$278,133,956	\$35,995,828	\$28,965,956	\$996,002	\$14,847,435
% Change Recommended	1.17%	25.36%	9.19%	0.00%	0.00%

Spire East - Continued	Interruptible Sales	General L.P. Gas	Unmetered Gas Light	Vehicular Fuel
Net Expenses	\$250,863	\$17,106	\$30,336	\$5,775
Return on Ratebase	\$106,288	\$10,074	\$19,250	\$4,592
Income Tax	\$51,760	-\$1,205	\$1,638	\$3,446
Total Cost of Service	\$408,911	\$25,975	\$51,224	\$13,813
Current Rate Revenue	\$540,860	\$11,803	\$41,566	\$24,746
\$ Change to Match Exactly	-\$131,949	\$14,172	\$9,658	-\$10,933
% Change to Match Exactly	-24.40%	120.07%	23.24%	-44.18%
Equal Percentage Increase	\$20,201	\$441	\$1,552	\$924
Rate Revenue with Equal Increase	\$561,061	\$12,244	\$43,118	\$25,670
\$ Change to Match Exactly, after Equal In	-\$152,150	\$13,731	\$8,106	-\$11,857
% Change to Match Exactly, after Equal In	-28.13%	116.34%	19.50%	-47.92%
\$ Change Recommended Step 1	\$0			\$0
\$ Change Recommended Step 2		\$2,077	\$7,316	
\$ Change Recommended Step 3		\$916		
Recommended Class Revenue Responsibility	\$540,860	\$14,797	\$48,882	\$24,746
% Change Recommended	0.00%	25.36%	17.60%	0.00%

Staff’s Spire West interclass revenue responsibility recommendation requires the addition of “Step 3,” and modified wording of Step 1b to the process filed on page 22 of its CCOS, provided below:

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

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

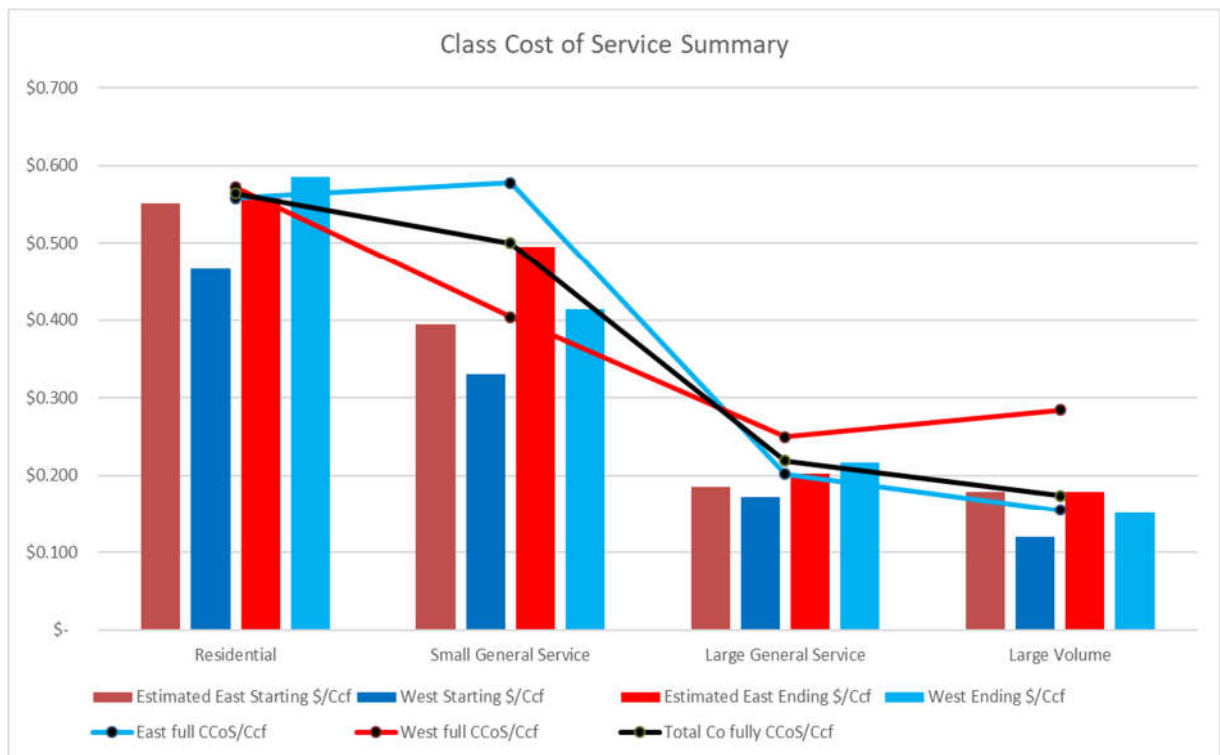
1 Step 2: For remaining classes, increase revenue responsibility proportionate  
2 to its contribution to revenues.

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

6 The results of these adjustments as applied to Staff's direct case are provide below:

Spire West	Residential	General Services & LV	Transportation	Unmetered Gas Light
Net Expenses	\$135,897,957	\$28,105,732	\$8,052,926	\$3,400
Return on Ratebase	\$60,813,188	\$14,705,945	\$5,892,286	\$2,341
Income Tax	\$15,554,723	\$838,596	\$4,805,043	-\$1,109
Total Cost of Service	\$212,265,868	\$43,650,273	\$18,750,255	\$4,632
Current Rate Revenue	\$173,149,407	\$30,763,299	\$18,655,231	\$1,145
\$ Change to Match Exactly	\$39,116,461	\$12,886,974	\$95,024	\$3,487
% Change to Match Exactly	22.59%	41.89%	0.51%	304.51%
Equal Percentage Increase	\$40,533,135	\$7,201,486	\$4,367,067	\$268
Rate Revenue with Equal Increase	\$213,682,542	\$37,964,785	\$23,022,298	\$1,413
\$ Change to Match Exactly, after Equal Incre	-\$1,416,674	\$5,685,489	-\$4,272,043	\$3,219
% Change to Match Exactly, after Equal Incre	-0.82%	18.48%	-22.90%	281.10%
\$ Change Recommended Step 1			\$0	
\$ Change Recommended Step 2	\$44,241,343	\$7,860,320		\$293
\$ Change Recommended Step 3	-\$500,000		\$500,000	
Recommended Class Revenue Responsibility	\$216,890,750	\$38,623,619	\$19,155,231	\$1,438
% Change Recommended	25.26%	25.55%	2.68%	25.55%

7 The graph below corrects the table on page 20 of Staff's CCOS study with Staff's updated class  
8 revenue requirement ("ending") for Spire West.



9

1 Q. Could you explain what caused the error in Staff's direct Distribution  
2 Mains allocator?

3 A. The class demand values that were used in Staff's direct filed testimony  
4 Distribution Mains allocator were disproportionately skewed towards rate schedules that were  
5 weather normalized.

6 Q. Which rate classes were weather normalized?

7 A. Staff weather normalized the Residential, Small General Service and Large  
8 General Service rate schedules. The Interruptible, Transportation and Large Volume Service  
9 rate classes were not weather normalized because Staff did not find these classes to be weather  
10 sensitive as explained in more detail by Staff witness Michael Stahlman in Staff's Cost of  
11 Service (COS) report

12 Q. How was the value of class demands calculated in Staff's direct filed  
13 CCOS report?

14 A. Class demands are produced as part of Staff's weather normalization  
15 worksheets and are calculated based on the output of the weather regression analysis. The  
16 output is essentially a usage per day value based on the number of heating degree days (HDD)  
17 in the month. For rate classes that were not weather normalized; including the Transportation,  
18 Interruptible, and Large Volume rate schedules, Staff calculated the actual average usage per  
19 day for each class. The actual average usage per day was then used as the rate class' monthly  
20 demand value for the Transportation, Interruptible and Large Volume rate schedules.

21 Q. What is wrong with the Staff's direct filed class demand values?

22 A. While preparing for rebuttal testimony, Staff found that the class usage per day  
23 from the weather regression results assumed each customer in the class had the same level of

1 base usage, which resulted in a higher level of total annual usage than was actually billed and  
2 created an inaccurate comparison to the class demands calculated from the Transportation,  
3 Interruptible and Large Volume rate schedules which were not weather normalized. If all the  
4 rate schedules were weather normalized, then the class demand comparison would not have  
5 been skewed. However, since some rate schedules were weather normalized and some were not  
6 the comparison of class demands was skewed disproportionately towards the rate classes that  
7 were weather normalized.

8 Q. How did Staff correct the class demand calculation?

9 A. Staff recalculated the class demands for each weather normalized rate class by  
10 applying the weather adjustment to usage per day per billing cycle and then summing usage per  
11 day per billing cycle for each month. Except for the weather adjustment, the calculation is  
12 consistent with the calculation of class demands for the non-weather normalized rate classes.

13 Q. Could you explain the error to total revenue?

14 A. The allocation of revenue to each individual rate class had an error that resulted  
15 in some studied rate classes not receiving recognition of the actual revenues contributed by the  
16 customers served within that rate class. The overall impact of this error was small as compared  
17 to the correction to Staff's distribution mains allocator. As mentioned above, the Spire West  
18 revenue error involved the misplacement by class of approximately \$1.5 million of revenues,  
19 and the Spire East error involved approximately \$1.2 million of revenues.

20 Q. Does this conclude your testimony?

21 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

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

**AFFIDAVIT OF ROBIN KLIETHERMES**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW ROBIN KLIETHERMES** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Corrected Direct Testimony of Robin Kliethermes*; and that the same is true and correct according to her best knowledge and belief.

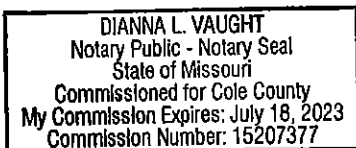
Further the Affiant sayeth not.

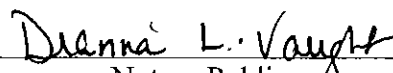


**ROBIN KLIETHERMES**

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 9th day of May 2021.



  
Notary Public