

Exhibit No.:
Issues: *Research and Development Costs*
Witness: *Karen Lyons*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *GR-2021-0108*
Date Testimony Prepared: *June 17, 2021*

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

KAREN LYONS

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

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RESEARCH AND DEVELOPMENT1

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1 **REBUTTAL TESTIMONY OF**

2 **KAREN LYONS**

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

6
7 **CASE NO. GR-2021-0108**

8
9 Q. Please state your name and business address.

10 A. My name is Karen Lyons. My business address is 615 E. 13th Street,
11 Kansas City, Missouri 64106.

12 Q. By whom are you employed?

13 A. I am employed by the Missouri Public Service Commission as a member of the
14 Auditing Staff.

15 Q. Are you the same Karen Lyons that contributed to Staff's Costs of Service
16 Report (COS Report) that was filed on May 12, 2021?

17 A. Yes, I am.

18 Q. What is the purpose of your testimony?

19 A. I will respond to Spire witness Wesley E. Selinger's direct testimony requesting
20 an allowance for research and development costs.¹

21 **RESEARCH AND DEVELOPMENT**

22 Q. What is Spire's position regarding its request for an allowance for research and
23 development costs?

¹ Case No. GR-2021-0108, Wesley E. Selinger, direct testimony, page 16.

1 A. Mr. Selinger states on page 16 of his direct testimony that the Company
2 continues to explore innovative technologies that will benefit its customers. Spire included an
3 allowance of \$1 million for research and development costs in its recommended revenue
4 requirement attached to Mr. Selinger's direct testimony filed on December 11, 2020.

5 Q. Did Staff include a \$1 million allowance in its recommended revenue
6 requirement for Spire East and Spire West in Staff's filing on May 12, 2021?

7 A. No. Spire is currently not incurring any costs for research and development;
8 therefore, the costs are not known and measurable.² Spire is essentially asking the Commission
9 to preapprove estimated research and development costs without any support justifying those
10 costs. Staff recommends the Commission reject Spire's proposal for a research and
11 development allowance.

12 Q. Has the Commission recently addressed the known and measurable concept?

13 A. Yes. In Spire's last general rate cases, Case Nos. GR-2017-0215 and
14 GR-2017-0216, the Commission rejected estimated credit and debit card costs proposed by
15 Spire. The Commission stated on page 72 of its March 7, 2018 Amended Report and Order,

16 The Commission finds that the cost Spire Missouri will incur in future
17 years resulting from the change in how costs are recovered for the use of
18 credit or debit cards by LAC customers to pay their bills are not yet
19 known and measurable. The Commission will utilize the level of costs
20 calculated by Staff, which is based on actual costs incurred during the
21 test year.

22
23 Q. Does Spire East and Spire West pay dues to any organizations that perform
24 research and development activities?

² Case No. GR-2021-0108, Spire's response to MCEG data request No. 1.10.

1 A. Yes. Spire East and Spire West pays dues to the American Gas Association
2 (“AGA”) and the Gas Technology Institute (“GTI”). Both of these organizations offer research
3 and development programs at a lower cost than Spire’s proposed allowance. A few examples
4 of these programs include emerging technology, energy efficiency, and carbon reduction.

5 Q. Is Staff suggesting that the only research and development costs Spire should
6 incur are the costs associated with AGA and GTI?

7 A. No. While Staff rejects Spire’s proposal for an allowance that is not known and
8 measurable, it would consider actual costs incurred during the test year and the true up period.
9 Since Spire has not incurred any costs for research and development, Staff is unable to
10 determine if Spire’s proposed allowance benefits its ratepayers.

11 **STAFF’S REVENUE REQUIREMENT CHANGES**

12 Q. Has Staff made any changes to its recommended revenue requirement filed on
13 May 12, 2021 for Spire East and Spire West?

14 A. Yes.

15 Q. What are the corrections?

16 A. Staff corrected the following adjustments:

- 17 • Payroll, payroll benefits 401k matching and payroll taxes: Staff corrected
18 formula errors and the allocation of shared services and energy efficiency
19 employees
- 20 • Amortization of Protected Excess ADIT: Staff corrected a formula error
- 21 • Transition costs: Staff corrected the adjustment amount for Spire East
- 22 • Pensions: Staff corrected a formula error

23 Q. What is Staff’s revised revenue requirement for Spire East and Spire West?

Rebuttal Testimony of
Karen Lyons

1 A. Staff's revised revenue requirement, including the true-up allowance, for Spire
2 East and Spire West is \$11,624,851 and \$54,787,164 respectively.³

3 Q. Does this conclude your rebuttal testimony?

4 A. Yes.

³ Staff's recommendation includes an estimated true-up allowance of \$6,300,000 for Spire East and \$4,800,000 for Spire West.

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)
General Rate Increase for Natural Gas)
Service Provided in the Company's)
Missouri Service Areas)

Case No. GR-2021-0108

AFFIDAVIT OF KAREN LYONS

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

COMES 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 of Karen Lyons*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



KAREN LYONS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 16th day of June 2021.



M. RIDENHOUR
My Commission Expires
July 22, 2023
Platte County
Commission #19603483



Notary Public