

Exhibit No.:  
Issues: Revenue Requirement  
Witness: Greg R. Meyer  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Parties: MIEC and Vicinity  
Case No.: GR-2021-0108  
Date Testimony Prepared: July 14, 2021

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

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**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**

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) **Case No. GR-2021-0108**  
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Surrebuttal Testimony and Schedules of

**Greg R. Meyer**

On behalf of

**Missouri Industrial Energy Consumers  
and Vicinity Energy Kansas City, Inc.**

July 14, 2021



Project 11068

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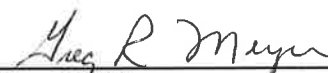
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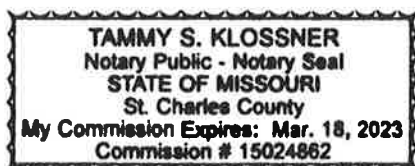
**Affidavit of Greg R. Meyer**

Greg R. Meyer, being first duly sworn, on his oath states:

1. My name is Greg R. Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers and Vicinity Energy Kansas City, Inc. in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes are my surrebuttal testimony and schedules which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. GR-2021-0108.
3. I hereby swear and affirm that the testimony and schedules are true and correct and that they show the matters and things that they purport to show.

  
\_\_\_\_\_  
Greg R. Meyer

Subscribed and sworn to before me this 13<sup>th</sup> day of July, 2021.



  
\_\_\_\_\_  
Notary Public

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

<b>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</b>	) ) ) ) ) ) )	<b>Case No. GR-2021-0108</b>
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**BEFORE THE PUBLIC SERVICE COMMISSION  
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**Surrebuttal Testimony of Greg R. Meyer**

**I. Introduction**

**Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,  
Chesterfield, MO 63017.

**Q ARE YOU THE SAME GREG R. MEYER WHO PREVIOUSLY FILED DIRECT AND  
REBUTTAL TESTIMONY IN THIS PROCEEDING?**

A Yes. On May 12, 2021, I filed direct testimony and on June 17, 2021, I filed rebuttal  
testimony, both on behalf of the Missouri Industrial Energy Consumers ("MIEC") and  
Vicinity Energy Kansas City, Inc. ("Vicinity"). The MIEC is a non-profit corporation that  
represents the interests of industrial customers in matters involving utility issues.  
Those interests include the interests of large industrial consumers of Spire Missouri  
Inc. ("Spire" or "Company"). Vicinity is a "heating company" and a "public utility" as  
those terms are defined in Sections 386.020(20) and 386.020(43). Vicinity, therefore,  
is not only a customer of Spire, but also a competitor with Spire. Vicinity is one of the  
largest users and transporters of natural gas on the Spire system.

**Greg R. Meyer  
Page 1**

1 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

2 A My surrebuttal testimony will address the rebuttal testimony of Spire witnesses as it  
3 relates to the issues of: revenues, property tax trackers, insurance premiums/injuries  
4 & damages expenses, and call center staffing. I will also address the property tax  
5 methodology sponsored by the Staff.

6 To the extent I do not address a specific issue in this testimony, that should not  
7 be construed as acceptance of that position.

8 **II. Revenues**

9 **Q PLEASE DESCRIBE THE REVENUE ISSUE.**

10 A In my direct testimony, I pointed out that Spire reflected customer growth over an  
11 11-month period instead of a full year. By doing so, Spire has understated annualized  
12 revenues associated with customer growth. In her rebuttal testimony, Spire witness  
13 Alicia Mueller disputed my assertion. Ms. Mueller claims that Spire used average fiscal  
14 year 2019 compared to average fiscal year 2018 customers to calculate annualized  
15 Residential and SGS customer growth. Because of this methodology, Ms. Mueller  
16 claims Spire customer growth was based on a 12-month period.

17 **Q PLEASE RESPOND.**

18 A Ms. Mueller misses the point. I agree with Spire on calculating the growth in customers.  
19 In fact, I used the exact same growth numbers as proposed by Spire. My concern with  
20 the annualized revenue growth methodology proposed by Spire is that it only includes  
21 11 months of customer growth and not a full 12 months of customer growth.

1    **Q     DO YOU HAVE ANY SUPPORT FOR YOUR CLAIM?**

2    A     Yes. I have attached as Schedule GRM-SUR-1 a copy of the workpaper compiled by  
3       Spire to support its customer growth revenue calculation for the Spire West Residential  
4       class. Referring to the far right column labeled "Total Unrealized Revenue Incr.," there  
5       are only 11 months of revenue totals. Specifically, while there is a row for October  
6       2019, which shows **customer** growth, there is no associated amount in the column for  
7       incremental **revenue** growth associated with the increased customers. By failing to  
8       account for the revenue growth in October 2019, Spire has only recognized 11 months  
9       of revenue growth. This is the point of my testimony. If one is attempting to annualize  
10      customer growth for a full year, then there should be 12 months of revenue adjustments  
11      and not 11 months as listed on this schedule.

12   **Q     DID YOU PREPARE A WORKPAPER FOR YOUR DIRECT TESTIMONY THAT**  
13       **SHOWS THE ADJUSTMENT NECESSARY FOR THE ANNUALIZATION OF SPIRE**  
14       **WEST RESIDENTIAL CUSTOMER GROWTH REVENUES?**

15   A     Yes, I did. I am attaching as Schedule GRM-SUR-2 the workpaper I prepared to  
16      support my direct testimony.

17   **Q     PLEASE DESCRIBE THE WORKPAPER YOU PREPARED.**

18   A     This workpaper annualizes revenues for customer growth over a 12-month period. For  
19      customer growth in October 2019, I assumed that the growth in customers (523)  
20      occurred equally throughout the month. Therefore, all customers on average used half  
21      the monthly usage (20.2/2) for October. I also included the customer charge rate for  
22      half of the customer growth in October to again represent customer growth that  
23      occurred equally throughout the month. For November 2019, I applied the same logic

1 for the customers added during November 2019. However, those November 2019  
2 customer additions did not consume any gas during October 2019. Therefore, the  
3 usage and customer charge incurred in October 2019 must be reflected for customers  
4 added during November 2019. This annualization sequence must be repeated for  
5 every month in the 12-month period. When completed, customer growth is correctly  
6 reflected for an entire 12-month period.

7 **Q DID YOU APPLY THE SAME METHODOLOGY FOR THE SPIRE EAST**  
8 **RESIDENTIAL CLASS AND THE SPIRE WEST AND EAST SGS CUSTOMER**  
9 **CLASSES?**

10 A Yes, I did.

11 **Q WHAT WERE THE RESULTS OF YOUR CUSTOMER GROWTH ANNUALIZATION**  
12 **FOR SPIRE EAST AND SPIRE WEST OPERATIONS?**

13 A My annualization for customer growth resulted in increasing Spire East and Spire West  
14 revenues by \$64,435 and \$86,983, respectively.

15 **Q DO YOU HAVE ANY FURTHER COMMENTS ON THIS ISSUE?**

16 A Yes. In Ms. Mueller's rebuttal testimony, she claims that a difference of \$300,000 in  
17 my customer growth methodology is attributed to using a different set of customer  
18 growth numbers. As I previously stated, I used the exact same customer growth  
19 numbers as Spire.

1 **Q WHAT IS THE SIGNIFICANCE OF REVENUES IN THE RATEMAKING FORMULA?**

2 A In the ratemaking formula, the Commission considers all of the utility's expenses as  
3 well as a weighted average cost of capital multiplied by the rate base. This is known  
4 as the revenue requirement. The revenue requirement amount is then compared  
5 against total revenues in order to determine the necessary rate increase. By  
6 understating revenues in this case, Spire is inflating the rate increase that it believes  
7 should be granted. It is important, therefore, that the Commission properly recognizes  
8 the increased revenues associated with customer growth for all 12 months of the test  
9 year.

### 10 **III. Property Tax Trackers**

11 **Q DOES SPIRE CURRENTLY HAVE A PROPERTY TAX TRACKER?**

12 A Yes and no. There are two parts to this issue. First, there is the ongoing Kansas  
13 property tax tracker. Second, there is the much more limited tracker for property taxes  
14 on Spire's Missouri assets.

15 **Q PLEASE DISCUSS THE KANSAS PROPERTY TAX TRACKER.**

16 A Spire utilizes storage facilities that are available in Kansas on the Southern Star Central  
17 Pipeline to store gas used to supply the Spire West system. It is my understanding  
18 that, starting in 2009, Kansas began to levy property taxes on gas stored in these  
19 Kansas storage facilities. In previous cases, the Commission found that the level of  
20 property taxes levied by Kansas on this stored gas was "volatile." Therefore, the  
21 Commission implemented a property tax tracker associated with gas stored in Kansas,  
22 which has been in place for approximately a decade.



1 **Q PLEASE DISCUSS THE ALLEGED “TRACKER” FOR PROPERTY TAXES**  
2 **ASSOCIATED WITH PROPERTY TAXES ON SPIRE’S MISSOURI ASSETS.**

3 A In several cases, the Commission has denied property tax trackers sought by Missouri  
4 utilities. That said, however, in the last Spire rate case the Commission was wrestling  
5 with how to implement changes to the tax law as a result of the Tax Cut and Jobs Act  
6 (“TCJA”). In its Report and Order, the Commission recognized that, given the recent  
7 nature of the TCJA, some of the financial implications were unknown. As such, the  
8 Commission implemented a tracker to account for some of the unknown effects of the  
9 TCJA. Specifically, the Commission stated:

10 The Commission further recognizes that not all of the effects of the TCJA  
11 are known at this time. The IRS has yet to promulgate rules or issue  
12 guidance on all the aspects of the TCJA. Therefore, the Commission  
13 will order that a tracker be established to account for any other effects  
14 (either over- or under-collection in rates) of the TCJA not captured by  
15 the current reduction in income tax expense for possible inclusion in  
16 rates at Spire Missouri’s next rate case. (Case No. GR-2017-0215,  
17 Amended Report and Order, issued March 7, 2018, at page 116).

18 As part of the same discussion, the Commission also recognized that the property taxes  
19 were also uncertain. Therefore, as part of its rationale for including a tracker for the  
20 TCJA, the Commission also established the property tax tracker to pick up the  
21 increased property tax for 2018.

22 Finally, one of Spire Missouri’s arguments against including the effects  
23 of the TCJA in the present case was that it was unfair to the company  
24 to not also include certain property taxes that also fall outside of the test  
25 year. Having considered these arguments the Commission agrees that  
26 actual property tax expense paid in 2017 is now known and measurable  
27 even though it falls outside the test year. And, coupled with the  
28 extraordinary event of decreased income tax expense it would not be  
29 just to exclude these known and measurable taxes (estimated at  
30 hearing as approximately \$1.4 million) from increasing property tax  
31 expense. Therefore, as an offset to the reduction in current income tax  
32 expense, the Commission will include the actual 2017 property taxes  
33 as an expense for the new rates. However, as 2018 property taxes are  
34 still not known and measurable, the Commission will also establish a  
35 tracker to account for any amounts of property tax expense over or  
36 under the amounts set out in rates for possible inclusion in Spire

1 Missouri's next rate proceeding. (Case No. GR-2017-0215, Amended  
2 Report and Order, issued March 7, 2018, at pages 117-118).

3 Thus, while Spire has an ongoing property tax tracker for gas in Kansas storage  
4 facilities, the "tracker" for Missouri property taxes is much more limited. The Missouri  
5 property tax tracker is clearly limited to one year (2018). Therefore, unlike other  
6 trackers that the Commission has implemented, Spire's claimed Missouri property tax  
7 tracker had no ongoing effect. It was simply limited to one year.

8 **Q IS IT CORRECT THAT MIEC, VICINITY AND THE STAFF ALL OPPOSED THE**  
9 **CONTINUATION OF BOTH PROPERTY TAX TRACKERS?**

10 A Yes.

11 **Q DOES SPIRE CONTINUE TO ARGUE FOR PROPERTY TAX TRACKERS?**

12 A Spire has conceded that it will no longer pursue a Missouri property tax tracker.  
13 However, Spire continues to recommend a property tax tracker for its Kansas property  
14 taxes.

15 **Q DO YOU SUPPORT A KANSAS PROPERTY TAX TRACKER?**

16 A No.

17 **Q YOU STATED IN YOUR DIRECT TESTIMONY THAT SPIRE PROVIDED NO**  
18 **EXPLANATION WHY IT SHOULD BE ENTITLED TO ANY PROPERTY TAX**  
19 **TRACKERS. IN ITS REBUTTAL TESTIMONY, DID SPIRE ADDRESS THE NEED**  
20 **FOR THE KANSAS PROPERTY TAX TRACKER?**

21 A Yes. Spire claims it needs the Kansas property tax tracker in the unlikely event that a  
22 February 2021 cold weather type of event occurs which could impact natural gas prices.

**Greg R. Meyer**  
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1 In such a situation, Spire argues that the valuation of the gas in storage would be  
2 increased because of the higher natural gas prices and, thus, property taxes would also  
3 increase.

4 **Q DO YOU AGREE WITH SPIRE'S ARGUMENTS?**

5 A No. Essentially, Spire is requesting a special regulatory tool (property tax tracker) to  
6 address an extraordinary event that may never occur. The February 2021 cold weather  
7 event was a one-time event with significant costs that had never before been  
8 encountered. Establishing a property tax tracker for the remote possibility that a similar  
9 extraordinary event may occur in the future is contrary to the fundamental ratemaking  
10 principle that rates are set based upon normalized conditions. The Kansas property  
11 tax for gas inventories is established on a single day price (January 1 of the year in  
12 question). Spire is arguing that the February 2021 cold weather event must be  
13 addressed and a property tax tracker established in case the cold weather event  
14 reoccurred **and** impacted the single day of the year when property taxes are valued.  
15 This is not a recurring event that needs to be included in determining just and  
16 reasonable rates.

17 **Q DO YOU HAVE ANY ADDITIONAL ARGUMENTS WHY THE KANSAS PROPERTY**  
18 **TAX TRACKER SHOULD NOT BE CONTINUED?**

19 A Yes, Staff witness Jeremy Juliette filed rebuttal testimony on this issue. Mr. Juliette  
20 listed the Kansas property taxes paid by Spire West since 2014. I have listed those  
21 Kansas paid property taxes in Table 1.

<b>TABLE 1</b>	
<b><u>Spire West Kansas Property Taxes Paid</u></b>	
<b><u>Year</u></b>	<b><u>Taxes Paid</u></b>
2014	\$1,426,495
2015	\$1,309,012
2016	\$1,116,724
2017	\$1,674,298
2018	\$1,743,549
2019	\$1,777,419
2020	\$ 955,932

1           The average property taxes paid over those seven years is \$1,429,061. The  
2           maximum difference in property taxes paid is \$821,487 (\$1,777,419 - \$955,932). In  
3           his rebuttal testimony, Spire witness Charles J. Kuper states that a \$1 increase in the  
4           cost of natural gas could raise Kansas property taxes by \$500,000. Mr. Kuper goes on  
5           to state that the increase in Kansas property taxes could be significant. I highlighted  
6           all of these potential changes to Kansas property taxes to show how none of the above  
7           increases would be a significant change in expense when considering the total revenue  
8           requirement for the Spire West operations.

9           In its direct filing, the Staff calculated a total revenue requirement for Spire West  
10          operations exceeding \$275 million. Using the maximum difference in property taxes  
11          paid from 2014-2020 (\$821,487) represents approximately 0.3% of Spire West's  
12          revenue requirement. It is not appropriate to provide special regulatory treatment  
13          (property tax tracker) for an item that has such a small impact on the total Spire West  
14          revenue requirement. Therefore, I continue to recommend that the Kansas property  
15          tax tracker be discontinued.

1 Q ARE THERE REGULATORY MECHANISMS AVAILABLE IF ANOTHER COLD  
2 WEATHER EVENT LIKE FEBRUARY 2021 OCCURRED THAT IMPACTED  
3 NATURAL GAS PRICES ON THE SINGLE DAY OF NATURAL GAS PRICING FOR  
4 CALCULATING PROPERTY TAXES ON GAS INVENTORIES?

5 A Yes. As the Commission has seen from recent AAO requests from Empire and Evergy  
6 associated with the February winter storm, other mechanisms exist for treatment of an  
7 extraordinary event. It is unnecessary and inappropriate for the Commission to  
8 implement a tracker for the unlikely situation that another winter storm occurs at exactly  
9 the right time to impact property taxes. If such an event happens, then an AAO would  
10 be the more appropriate response.

11 **IV. Insurance Premiums/Injuries & Damages**

12 Q HAVE YOU REVIEWED THE TRUE-UP INFORMATION REGARDING INSURANCE  
13 PREMIUMS/INJURIES & DAMAGES?

14 A Yes, I have and I believe the information provided by Spire is incomplete. Spire  
15 provided an update for all of the insurance premiums that will be in effect through March  
16 2022. However, Spire failed to provide updates on the claims paid for workers  
17 compensation, excess liability and auto claims. Without this information, it is impossible  
18 to annualize insurance/injuries & damages expenses.

19 Q DO THE CLAIMS PAID REPRESENT A LARGE COMPONENT OF THESE COSTS?

20 A Yes. Claims paid historically have represented approximately 33% of the total  
21 expenses. Therefore, without that information, it is not possible to provide an accurate  
22 cost estimate.

1 **Q WHAT WAS THE RESULT OF YOUR ANALYSIS OF UPDATED PREMIUM COSTS?**

2 A My analysis of the insurance premiums in effect through March 2022 showed that the  
3 premium costs had increased by \$949,768 and \$576,694 for Spire East and Spire  
4 West, respectively. Recognizing that a portion of the premium costs are expensed and  
5 the remainder capitalized, rates are not increased dollar for dollar. Therefore, these  
6 increases in insurance premiums result in increased expenses of \$436,323 and  
7 \$192,579 for Spire East and Spire West operations.

8 **Q WHAT IS YOUR RECOMMENDATION FOR TRUING UP INSURANCE**  
9 **PREMIUMS/INJURIES & DAMAGES EXPENSE?**

10 A I recommend that until the information for claims paid is updated by Spire, that my  
11 recommendation included in my direct testimony be used for purposes of calculating  
12 the revenue requirement for Spire East and Spire West. I think it is unacceptable to  
13 only update one portion of the insurance premiums/injuries & damages expenses  
14 without a complete picture of all the costs.

15 **Q YOUR DIRECT TESTIMONY POSITION REGARDING CLAIMS PAID WAS TO USE**  
16 **THE TEST YEAR LEVEL FOR WORKERS' COMPENSATION AND AUTO CLAIMS**  
17 **PAID. YOU RECOMMENDED A THREE-YEAR AVERAGE FOR EXCESS LIABILITY**  
18 **BECAUSE THE TEST YEAR LEVEL WAS NOT REPRESENTATIVE OF ONGOING**  
19 **OPERATIONS. DID SPIRE RESPOND TO YOUR ADJUSTMENT?**

20 A Yes. Spire witness Mr. C. Eric Lobser claimed that I engaged in picking and choosing  
21 a methodology that produced a desired outcome. Mr. Lobser claims that Spire used  
22 the same methodology as the last rate case and using anything less could create rate  
23 volatility.

1 Q DID YOU PICK AND CHOOSE TO REACH A DESIRED OUTCOME AS SUGGESTED  
2 BY MR. LOBSER?

3 A No. I looked at the totals and made my adjustment based on the available information.

4 Q HAVE YOU SEEN ANY NEW INFORMATION THAT COULD CHANGE YOUR  
5 RECOMMENDATION?

6 A Yes. In his rebuttal testimony, Mr. Lobser makes the following statement in discussing  
7 a discrimination lawsuit involving Spire, "Spire has had a relatively clean loss history in  
8 excess liability (XL) since the last rate case, which helped it to achieve lower premium  
9 increases than many other peers." Instead of reflecting on those lower excess claims,  
10 I have proposed a three-year average in my direct testimony. I find it interesting that  
11 Mr. Lobser would make such a statement, but refuse to reflect those lower excess  
12 liability claims in rates, and instead diminish them with a three-year average.

13 Q IF THE COMMISSION WANTED TO RECOGNIZE THE CURRENT DECLINE IN  
14 EXCESS LIABILITY PAYMENTS, WHAT WOULD YOU PROPOSE?

15 A I would propose that the adjustment I recommended in direct testimony be modified to  
16 recognize the test year level of excess liability claims paid. Thus, the test year level of  
17 all claims paid would be used to determine Spire's revenue requirement. This  
18 modification to my direct testimony would properly recognize the lower claims paid that  
19 Mr. Lobser discussed in his rebuttal testimony.

1 **V. Call Center Staffing**

2 **Q IN YOUR DIRECT TESTIMONY, YOU DISCUSSED A CONCERN ABOUT**  
3 **OVERLAPPING STAFFING NUMBERS ASSOCIATED WITH THE TRANSITION**  
4 **FROM CONTRACT LABOR TO INTERNAL EMPLOYEES FOR CALL CENTER**  
5 **OPERATIONS. PLEASE DESCRIBE YOUR CONCERN.**

6 A In my direct testimony, I indicated that Spire is in the process of transitioning from  
7 contract employees in the call center to internal employees. Given this transition, I was  
8 concerned that Spire's cost of service (revenue requirement) included overlapping  
9 staffing levels for handling call center operations (i.e., both contract employees and  
10 internal employees handling the same duties). The overlapping would occur with  
11 training new internal employees while retaining current contract employees.  
12 Recognizing that the transition will be completed soon after this case, Spire would  
13 realize a windfall if rates reflect both internal employee costs and contract labor costs,  
14 but Spire will no longer be incurring the contract labor costs.

15 **Q DID THE COMPANY ADDRESS THIS ISSUE IN ITS REBUTTAL TESTIMONY?**

16 A Not to my knowledge.

17 **Q WHAT IS YOUR CURRENT POSITION IN REGARDS TO THIS ISSUE?**

18 A Spire should be required to show that there is no overlapping of call center staffs to  
19 handle the Spire call center operations.



1 **VI. Property Taxes**

2 **Q DID YOU REVIEW THE STAFF REBUTTAL TESTIMONY ON PROPERTY TAXES?**

3 A Yes. I reviewed the rebuttal testimony of Mr. Jeremy Juliette as it related to property  
4 taxes.

5 **Q IN HIS REBUTTAL TESTIMONY, MR. JULIETTE DISCUSSES THE STAFF'S**  
6 **METHODOLOGY FOR ANNUALIZING PROPERTY TAXES. DO YOU AGREE WITH**  
7 **HIS ANNUALIZATION METHODOLOGY?**

8 A No. The annualization methodology proposed by the Staff violates the known and  
9 measurable standard that Mr. Juliette describes in the Staff's Cost of Service Report  
10 and his rebuttal testimony.

11 **Q BEFORE ADDRESSING THE KNOWN AND MEASURABLE ARGUMENT, COULD**  
12 **YOU PLEASE DESCRIBE THE PROPERTY TAX PROCESS TIMELINE?**

13 A I will rely on the description contained in the Staff's Cost of Service Report:

14 Property taxes are those taxes assessed by state and local county  
15 taxing authorities on a utility's "real" property. Property taxes are  
16 computed using the assessed property values and property tax rates.  
17 The taxing authorities, either state or local, use an assessment date of  
18 January 1 of each year. This date is critical because it forms the basis  
19 for the property tax bill, which is generally paid at the end of that same  
20 year, no later than December 31. A utility is required to file with the  
21 taxing authorities a valuation of its utility property based on the  
22 January 1 assessment date. The taxing authorities will then provide the  
23 utilities with what they refer to as "assessed values" for each category  
24 of property owned. Typically in late summer or fall, the appropriate  
25 taxing authorities give the utilities the property tax rate. Property tax  
26 bills are then issued with "due dates" before December 31 based on  
27 property tax rates applied to the utilities' assessed values. (Case No.  
28 GR-2021-0108, Staff's Cost of Service Report, May 2021, at page 83.)

1 Basically, the property tax process can be broken down into four components:

2 1. Property values determined on January 1 of each year;

3 2. Assessed values for each category of property owned;

4 3. Property tax rates are provided by the taxing authority in late summer  
5 or early fall; and

6 4. Property tax bills are paid on or before December 31.

7 **Q WHAT METHODOLOGY DID STAFF PROPOSE FOR ANNUALIZING PROPERTY**  
8 **TAXES?**

9 A Staff proposed to use the ratio of property at January 1, 2020 to the actual property  
10 taxes paid on December 31, 2020. Staff applied this ratio to property at January 1,  
11 2021.

12 **Q DO YOU BELIEVE THIS ANNUALIZATION METHODOLOGY IS CORRECT?**

13 A No. The Staff has applied a ratio from the previous year's paid taxes to assign to the  
14 property values at the current year (January 1, 2021). As described earlier, the Staff  
15 has taken one aspect of the property tax process and assigned a prior year relationship  
16 to annualize property taxes. This annualization methodology is not consistent with the  
17 property tax process described by the Staff in its Cost of Service Report and violates  
18 the known and measurable standard. Staff has attempted to predict/annualize what  
19 property taxes will be for property at January 1, 2021. However, the Staff has only  
20 considered one component of the tax process, namely component 1 (property values  
21 at January 1, 2021) described previously.

1 Q YOU CONTEND THAT THE STAFF'S METHODOLOGY VIOLATES THE KNOWN  
2 AND MEASURABLE STANDARD. PLEASE DESCRIBE THE KNOWN AND  
3 MEASURABLE STANDARD?

4 A In order for an event to qualify for being known and measurable, it must:

- 5 1. Be known with certainty to have occurred; and
- 6 2. Be measurable with certainty.

7 The Staff's annualization methodology violates the known and measurable  
8 standard because all of the components associated with property values at January 1,  
9 2021 are not known and measurable at this time. Specifically, the assessed values of  
10 property at January 1, 2021 and the tax rates are not known and measurable at this  
11 time.

12 Q DID THE STAFF USE THE ARGUMENT OF KNOWN AND MEASURABLE IN ITS  
13 REBUTTAL TESTIMONY IN REGARDS TO PROPERTY TAXES?

14 A Yes. Staff witness Juliette argues that Spire's proposal to update property taxes is not  
15 known and measurable. Specifically, Mr. Juliette states at pages 8-9 of his rebuttal  
16 testimony:

17 Spire's proposal to use forecasted levels to represent future ongoing  
18 costs is based on assumptions that may or may not occur, and  
19 consequently violates the known and measurable concept. Spire's 2021  
20 property taxes are not due until December 31, 2021, well beyond the  
21 true-up cutoff date in this case of May 31, 2021. Staff advocates use of  
22 historical costs that are known and measurable, and ratemaking  
23 principles such as annualizations and normalizations to develop an  
24 ongoing level of cost and revenue to include in a utility's cost of service.

25 Mr. Juliette's arguments also mandates the rejection of the Staff's property tax  
26 annualization. As previously described, Mr. Juliette only has one known and  
27 measurable component of the three needed to annualize property taxes. It is not proper  
28 to develop a ratio of a previous tax amount to the plant values at January 1 of that tax

1 year and apply it to the current January 1, 2021 plant values. This is simply a guess at  
2 this point in time whether the property taxes will be that amount. The Staff's property  
3 tax adjustment must be rejected.

4 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

5 **A** Yes, it does.

417226

Missouri West - Customer Annualization  
MO PSC CASE No. GR - 2021-0108

RESIDENTIAL  
ADJUSTMENT FOR UNREALIZED PORTION  
MOW

	Customers Added in <u>Test Year</u>	Use/Cust	Rev/Cust At Base <u>Rates</u>	Cumulative U/C For Mos. Prior <u>To Adding Cust</u>	Total Unrealized <u>CCF Incr.</u>	Cumulative Revenue For Mos. Prior <u>To Adding Cust</u>	Total Unrealized <u>Revenue Incr.</u>
October-19	523	20.2	\$22.84				
November-19	523	73.0	31.42	20.2	10,566	\$22.84	11,948
December-19	523	116.5	38.22	93.2	48,750	54.26	28,381
January-20	523	139.1	41.75	209.7	109,688	92.47	48,371
February-20	523	144.3	42.56	348.8	182,447	134.23	70,210
March-20	523	109.6	37.14	493.1	257,926	176.79	92,474
April-20	523	71.7	31.21	602.7	315,255	213.93	111,900
May-20	523	36.7	25.16	674.4	352,759	245.14	128,226
June-20	523	13.2	21.86	711.1	371,956	270.30	141,389
July-20	523	7.7	21.08	724.3	378,860	292.16	152,822
August-20	523	7.7	21.08	732.0	382,888	313.25	163,850
September-20	<u>523</u>	<u>12.0</u>	<u>21.69</u>	<u>739.7</u>	<u>386,915</u>	<u>334.33</u>	<u>174,878</u>
<b>TOTAL</b>	6,277	751.7	\$356.02		2,798,010		\$1,124,449
Thru May, 2021	4,185	751.7	\$356.02		3,145,865		\$1,489,937

Missouri West - Customer Annualization  
MO PSC CASE No. GR - 2021-0108

RESIDENTIAL  
ADJUSTMENT FOR UNREALIZED PORTION  
MOW

	Customers Added in Test Year	Use/Cust	Rev/Cust At Base Rates	Cumulative U/C For Mos. Prior To Adding Cust	Total Unrealized CCF Incr.	Cumulative Revenue For Mos. Prior To Adding Cust	Total Unrealized Revenue Incr.
October-19	523	20.2	\$22.84				
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<b>TOTAL</b>	6,277	751.7	\$356.02		2,798,010		\$1,124,449
Thru May, 2021	4,185	751.7	\$356.02		3,145,865		\$1,489,937

Customers Added in Test Year	Use/Cust	Growth Use/Cust	Rev/Cust At Base Rates	Growth Revenues
523	10.1	5,282.30		\$5,984.80
523	56.7	29,654.10	\$22.84	\$20,177.36
523	151.45	79,208.35	54.26	\$38,391.62
523	279.25	146,047.75	92.47	\$59,300.31
523	420.95	220,156.85	134.23	\$81,353.01
523	547.9	286,551.70	176.79	\$102,191.85
523	638.55	333,961.65	213.93	\$120,062.41
523	692.75	362,308.25	245.14	\$134,800.14
523	717.7	375,357.10	270.30	\$147,094.22
523	728.15	380,822.45	292.16	\$158,322.64
523	735.85	384,849.55	313.25	\$169,352.71
523	745.7	390,001.10	334.33	\$180,537.37
		2,994,201.15		\$1,217,568.44