

*Exhibit No.:*  
*Issue(s):* *Report on Cost of Service; Overview of The Staff's Filing; Policy*  
*Witness:* *Jamie S. Myers*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
*Case Nos.:* *GR-2017-0215*  
*GR-2017-0216*  
*Date Testimony Prepared:* *September 8, 2017*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**DIRECT TESTIMONY**

**OF**

**JAMIE S. MYERS**

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

**LACLEDE GAS COMPANY and MISSOURI GAS ENERGY  
GENERAL RATE CASE**

**CASE NOS. GR-2017-0215  
and GR-2017-0216**

*Jefferson City, Missouri*  
*September 2017*

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**OF**  
**JAMIE S. MYERS**  
**SPIRE MISSOURI, INC., d/b/a SPIRE**  
**LACLEDE GAS COMPANY and MISSOURI GAS ENERGY**  
**GENERAL RATE CASE**  
**CASE NOS. GR-2017-0215**  
**and GR-2017-0216**

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**DIRECT TESTIMONY**

**OF**

**JAMIE S. MYERS**

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

**LACLEDE GAS COMPANY and MISSOURI GAS ENERGY  
GENERAL RATE CASE**

**CASE NOS. GR-2017-0215  
and GR-2017-0216**

Q. Please state your name and business address.

A. My name is Jamie S. Myers. My business address is 200 Madison St., Jefferson City, MO 65101.

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

A. I am employed by the Missouri Public Service Commission (“Commission”) as Commission Staff Deputy Director.

Q. Please describe your education and relevant work experience.

A. I received a Bachelor’s of Arts Degree in Environmental Studies and Juris Doctor from the University of Missouri. I began employment at the Commission in May 2014 in the Staff Counsel Department. I transitioned to my current position as Commission Staff Deputy Director in April 2017. Prior to my employment at the Commission, I spent four years working in education and research.

My job duties include assisting the Commission Staff Director in overseeing all aspects of the Commission Staff. Currently, I am the designated lead on the general review of the Commission’s rules, pursuant to Executive Order 17-03. In my prior position at the

1 Commission, I was the assigned attorney on several rate cases, complaints, and various  
2 applications.

3 Q. Have you previously testified before the Commission?

4 A. No.

5 **EXECUTIVE SUMMARY**

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to sponsor Staff's Cost of Service Report that  
8 is being filed concurrently with this testimony, provide an overview of Staff's cost-of-service  
9 calculation and revenue requirement recommendation, and if requested at hearing, address  
10 questions of a general or policy nature regarding the work performed by, or the positions  
11 taken by Staff in this proceeding.

12 Q. What did Staff review for its Cost of Service Report?

13 A. Staff reviewed all the cost-of-service components (capital structure, return on  
14 rate base, rate base, depreciation expense, revenues, and operating expenses) that comprise  
15 Laclede Gas Company's operating divisions, Laclede Gas's (LAC) and Missouri Gas  
16 Energy's (MGE), revenue requirements based on the 12-months ending December 31, 2016,  
17 and updated for known and measureable changes through June 30, 2017.

18 Q. Based on Staff's review, what is Staff's recommended revenue requirement for  
19 LAC and MGE?

20 A. Staff recommends increases of \$11,958, 306 to LAC's base rates, and  
21 \$8,744,120 to MGE's base rates, and that the Companies' Infrastructure System Replacement  
22 Surcharge (ISRS) be reset to zero. Staff recommends a return on equity (ROE) of 9.25%,  
23 which is the mid-point of Staff's recommended equity cost rate range of 9.0% to 9.5%.

1 Q. What rate increases are LAC and MGE requesting?

2 A. LAC is requesting a gross revenue increase of \$58.1 million and MGE is  
3 requesting a gross revenue increase of \$50.4 million. However, LAC and MGE are currently  
4 collecting ISRS revenues of \$32.6 million<sup>1</sup> and \$16.4 million,<sup>2</sup> respectively. This results in a  
5 net incremental increase request of \$25.5 million for LAC and a net incremental increase  
6 request of \$34.0 million for MGE. The Companies are requesting an ROE of 10.35%.

7 Q. Does Staff address other issues in its Cost of Service Report?

8 A. Yes. While several issues are addressed, there are a few issues worth noting.  
9 On July 28, 2017, LAC and MGE filed notice with the Commission of their intent to change  
10 their name to Spire Missouri Inc. d/b/a Spire (hereafter “Spire”), File No. GN-2018-0032. The  
11 Commission officially recognized the name change to Spire, effective August 30, 2017. While  
12 Staff recognizes that the two operating divisions are Spire, for this case it is still necessary for  
13 Staff to distinguish between the two operating divisions formerly known as LAC and MGE.  
14 In an attempt to preserve this distinction, Staff has continued to refer to the divisions as  
15 “LAC” and “MGE” when necessary. When referring to the two operating divisions  
16 collectively, Staff will refer to them as “Spire Missouri”.

17 Additionally, the largest differences in dollar amounts between Staff and LAC and  
18 MGE at this time result from differences in recommended Capital Structure and ROE, Labor  
19 costs, Plant and Reserve expenses, and Pensions and OPEB expenses.

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<sup>1</sup> GO-2017-0202.

<sup>2</sup> GO-2017-0201.

1 Q. Is there anything else you would like to note?

2 A. Yes. Since the commencement of these rate cases, amendments to the  
3 Commission's rule regarding the treatment of Confidential Information have gone into effect.<sup>3</sup>  
4 Under the new rule, any party may submit to the Commission, without first obtaining a  
5 protective order, any information designated as confidential if that information qualifies under  
6 certain categories.<sup>4</sup> In this Cost of Service Report, Staff has marked the information Spire had  
7 previously designated as "highly confidential" as "confidential". Staff Counsel discussed the  
8 new rule and Staff's intent to mark information as "confidential" with Spire's legal counsel.

9 **STAFF REPORT ON COST OF SERVICE**

10 Q. How is Staff's Cost of Service Report organized?

11 A. It is organized by topic as follows:

- 12 I. Executive Summary
- 13 II. Background
- 14 III. Test Year/True-Up Period
- 15 IV. Staff's Revenue Requirement Recommendation
- 16 V. General Ledger Recording Issues
- 17 VI. Surveillance Reporting
- 18 VII. Rate of Return
- 19 VIII. Rate Base
- 20 IX. Synergies/Allocations
- 21 X. Income Statement
- 22 XI. Depreciation

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<sup>3</sup> Amendments to 4 CSR 240-2.135 became effective on July 31, 2017.

<sup>4</sup> 4 CSR 240-2.135(2)(A).

1 The Rate Base and Income Statement sections of Staff's Cost of Service Report have  
2 numerous subsections, which explain each specific adjustment Staff made to the EMS run  
3 Staff developed in this case. The Staff member responsible for writing each subsection of the  
4 report is identified at the end of the subsection. The affidavit of each Staff person who  
5 contributed to the report is affixed to the report. The credentials and case participation of each  
6 Staff person who contributed to the report can be found in Appendix 1.

7 Short forms used in the Staff's Cost of Service Report and Class Cost of Service  
8 Report include:

- 9 "Commission" for the Missouri Public Service Commission;
- 10 "Staff" for the Staff of the Missouri Public Service Commission;
- 11 "LAC" for Spire (formerly Laclede Gas);
- 12 "MGE" for Spire (formerly Laclede Gas Company d/b/a Missouri Gas  
13 Energy);
- 14 "Spire Missouri" when referring to LAC and MGE collectively;
- 15 "Public Counsel" for the Office of the Public Counsel;
- 16 "EMS" for Staff's revenue requirement model referred to as Exhibit Modeling  
17 System;
- 18 "ROE" for Return on Equity;
- 19 "ROR" for Rate of Return;
- 20 "ISRS" for Infrastructure System Replacement Surcharge;
- 21 "ACA" for Actual Cost Adjustment;
- 22 "PGA" for Purchased Gas Adjustment

23 **OVERVIEW OF STAFF'S RECOMMENDED REVENUE REQUIREMENT**

24 Q. How does one determine the revenue requirement for a regulated  
25 utility?

1           A.     The first step is to calculate the cost-of-service. The cost-of-service for  
2           a regulated utility can be defined by the following formula:

3           Cost-of-Service = Cost of Providing Utility Service

4           or

5            $COS = O + (V - D)R$  where,

6           COS = Cost-of-Service

7           O = Adjusted Operating Costs (Payroll, Maintenance, etc.), Depreciation  
8           Expense and Taxes

9           V = Gross Valuation of Property Required for Providing Service

10          D = Accumulated Depreciation Representing Recovery of Gross Property  
11          Investment

12          R = Allowed Rate of Return

13           $V - D$  = Rate Base (Gross Property Investment less Accumulated  
14          Depreciation = Net Property Investment)

15           $(V - D)R$  = Return Allowed on Net Property Investment

16          Q.     Once cost-of-service is calculated, how does one determine the revenue  
17          requirement?

18          A.     Revenue requirement is the difference between the calculated cost-of-service  
19          and the adjusted current revenues.<sup>5</sup> That difference represents the regulated utility's necessary  
20          rate relief and can be defined by the following formula:

21          RR = COS – CR where,

22          RR = Revenue Requirement

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<sup>5</sup> It should be noted that often the terms “cost-of-service” and “revenue requirement” are used interchangeably to refer to what is defined as “cost-of-service” above.



Direct Testimony of  
Jamie S. Myers

1                    COS = Cost-of-Service

2                    CR = Adjusted Current Revenues

3            Q.    Does this conclude your direct testimony?

4            A.    Yes it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Laclede Gas Company's )  
Request to Increase Its Revenues for ) Case No. GR-2017-0215  
Gas Service )

In the Matter of Laclede Gas Company )  
d/b/a Missouri Gas Energy's Request to ) Case No. GR-2017-0216  
Increase Its Revenues for Gas Service )

**AFFIDAVIT OF JAMIE S. MYERS**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

COMES NOW JAMIE S. MYERS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Direct Testimony and that the same is true and correct according to her best knowledge and belief.

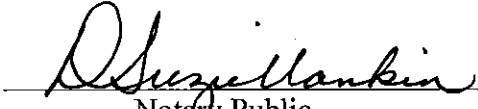
Further the Affiant sayeth not.

  
JAMIE S. MYERS

**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 8<sup>th</sup> day of September 2017.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: December 12, 2020  
Commission Number: 12412070

  
Notary Public