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Witness: Alicia Mueller
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Sponsoring Party: Spire Missouri Inc.
Case Nos.: GR-2021-0108
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SPIRE MISSOURI INC.

GR-2021-0108

DIRECT TESTIMONY

OF

ALICIA MUELLER

DECEMBER 11, 2020

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DIRECT TESTIMONY OF ALICIA MUELLER

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

2 A. My name is Alicia Mueller and my business address is 700 Market St., St. Louis, Missouri
3 63101.

4 **Q. WHAT IS YOUR PRESENT POSITION?**

5 A. I am employed by Spire Missouri Inc. (“Spire” or “Company”) as Manager of Operational
6 Accounting.

7 **Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY
8 DESCRIBE YOUR RESPONSIBILITIES.**

9 A. I have been Manager of Operational Accounting since July 2017. I manage the
10 Operational Accounting Department, which is responsible for accounting activities
11 associated with recording natural gas revenues and related gas cost expenditures, as well
12 as the unitization, retirement, and depreciation of fixed assets, primarily for the Missouri
13 operating units of Spire.

14 **Q. WHAT WAS YOUR PROFESSIONAL EXPERIENCE PRIOR TO ASSUMING
15 YOUR CURRENT POSITION?**

16 A. I joined Spire in June 1999 and worked in the Budget, Gas Accounting, Financial Reporting,
17 and Gas Supply departments before joining the Operational Accounting department in 2014.
18 While in Operational Accounting I worked as a Specialist and Lead before becoming
19 Manager in 2017.

20 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

21 A. In 1999, I earned a Bachelor of Science degree in Business Administration, majoring in
22 Management, from Southeast Missouri State University.

1 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?**

2 A. No, I have not.

3 **PURPOSE OF TESTIMONY**

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. I am sponsoring certain income statement adjustments in the areas of revenue and gas cost.
6 These adjustments include weather normalization and customer annualization for the
7 residential and small general service rate classes, and rate switching normalization for those
8 customers who changed rates throughout the test year or should change rates going forward
9 based on our annual usage review. In addition, my testimony includes revenue and/or expense
10 adjustments for operating income items, such as those relating to Infrastructure System
11 Replacement Surcharge (“ISRS”), and Off System Sales and Capacity Release.

12 **Q. Please list the schedules you are sponsoring.**

13 A. I am sponsoring Schedules WES-1, Subschedule H1-Rev1, WES-1 Subschedule H2-Rev2,
14 and WES-1, Subschedule H3-RevRltdExp. I am also sponsoring Operating Revenue on
15 Schedule WES-1, Subschedules H and Ha.

16 **ADJUSTMENTS TO OPERATING INCOME**

17 **Q. PLEASE EXPLAIN THE ADJUSTMENTS TO OPERATING INCOME FOR**
18 **SPIRE.**

19 A. I am sponsoring adjustments to revenues and gas costs to reflect the appropriate level of
20 test year margin for Spire. These adjustments include the elimination of deferred gas cost
21 and annualization of the ISRS revenue. In addition, I am also sponsoring adjustments to
22 the revenues and expenses related to off-system sales and releases of pipeline capacity.

23

1 **OFF-SYSTEM SALES AND CAPACITY RELEASE**

2 **Q. PLEASE EXPLAIN IN MORE DETAIL THE ADJUSTMENTS RELATED TO**
3 **MARGINS RETAINED BY SPIRE FROM OFF-SYSTEM SALES AND THE**
4 **RELEASE OF PIPELINE CAPACITY.**

5 A. Spire is allowed, pursuant to its tariff, to retain 25% of the pre-tax margins realized from
6 its off-systems sales and capacity releases. Consistent with its tariff, these adjustments
7 eliminate the Company's portion of income realized in utility operating income during the
8 test year, as this should not be considered revenue that will be present on a going forward
9 basis. This adjustment can be found on Schedule H1-Rev1.

10 **WEATHER NORMALIZATION**

11 **Q. WHAT IS THE PURPOSE OF THE WEATHER NORMALIZATION**
12 **ADJUSTMENT?**

13 A. Spire's customer base is primarily comprised of space-heating customers. This results in
14 weather being the major driver for the levels of revenues and gas costs incurred throughout a
15 12-month period. Therefore, test year margin must be adjusted to a weather normalized basis,
16 since actual weather can vary from normal levels.

17 **Q. PLEASE DESCRIBE THE PURPOSE OF THIS ADJUSTMENT SPECIFIC TO**
18 **SPIRE.**

19 A. Spire is currently operating under a weather normalization adjustment rider that has been in
20 effect in its current form since the conclusion of Case No. GR-2017-0215 and Case No. GR-
21 2017-0216. Even with this rider, weather volatility, especially if it occurs during shoulder
22 months such as November and April, can impact monthly margins. During the test year, Spire
23 experienced 2% warmer than normal weather, based on a 30-year average of heating degree

1 days (“HDDs”). The weather normalization adjustment restates test year volumes and
2 associated revenues for the residential class and each general service customer class to reflect
3 volumes and revenue that would have been experienced if normal weather had occurred during
4 this test year. This revenue adjustment to test year revenue is outlined in Schedule H2-Rev2,
5 Line 3.

6 **Q. WHAT MEASURE OF NORMAL WEATHER DID YOU USE FOR THE**
7 **ADJUSTMENTS?**

8 A. Data from the National Oceanographic and Atmospheric Administration (“NOAA”) was used
9 when determining normal weather. Our data is compiled from the St. Louis station, which is
10 located at Lambert International Airport, and from the Kansas City station located at the
11 Kansas City International Airport. Weather normalization calculations for Spire use a 30-year
12 normal, which was then applied to the billing cycle schedule to calculate normal monthly
13 billing cycle degree days for the test year.

14 **Q. WHAT LEVEL OF HEATING DEGREE DAYS ARE YOU SPONSORING IN YOUR**
15 **ADJUSTMENT FOR SPIRE?**

16 A. For Spire’s Eastern Missouri service territory a 30-year normal of 4,426 HDDs, and for Spire’s
17 Western Missouri service territory a 30-year normal of 5,059 HDDs were calculated and used
18 in the weather normalization adjustment.

19 **Q. WHAT IS THE SIGNIFICANCE OF USING HEATING DEGREE DAYS ON A**
20 **BILLING CYCLE BASIS?**

21 A. HDDs recorded on a calendar basis have been converted to a billing cycle basis to reflect the
22 cycle method of billing used by the Company. Although revenue is recognized on a calendar
23 month basis for financial reporting purposes, in order to record revenues and the related cost

1 of gas for all gas delivered during a month, the underlying records are maintained on a billing
2 cycle basis. The revenues reflected in Schedule WES-1, Subschedule H2-Rev2, Line 1 reflect
3 this billing cycle basis revenue and exclude WNAR revenue.

4 **Q. PLEASE EXPLAIN THE WEATHER NORMALIZATION ADJUSTMENT METHOD**
5 **AND CALCULATION FOR SPIRE.**

6 A. Weather-related volume adjustments and revenues are based on statistical relationships
7 between volumes and temperatures. For Spire, a regression analysis was used to aid in this
8 adjustment. The output from the regression analysis was used to calculate a normal monthly
9 use per bill for the residential class and each general service rate class. The use per bill
10 amounts for each month of the test year were then multiplied by the number of actual bills in
11 each test year month to calculate normalized volume adjustments. These adjustments were
12 then applied to the current rate design to calculate the adjustment to net revenues for each rate
13 class. As noted above, this revenue adjustment to test year margin is outlined in Schedule
14 WES-1, Subschedule H2-Rev2, Line 3.

15 **Q. PLEASE DISCUSS THE VARYING UNITS OF MEASURE USED IN BILLING.**

16 A. Historically, the billing unit used by Spire West has been Ccf (hundred cubic feet by volume),
17 while Spire East bills in therms (which includes the heat, or energy, content of the gas). All
18 billing reports are given in the applicable unit of measure billed. However, for financial
19 reporting purposes, Spire West's Ccf usage is converted to therms by using a standard
20 multiplication factor of 1.02. This is because we issue financial reports through the parent
21 company and must report all volumes on the same unit of measure. We propose to eliminate
22 this difference in billing conventions on a going forward basis. As discussed in the direct

1 testimony of Spire witness Lavin, we propose to achieve this goal by converting to Ccf billing
2 in all service territories.

3 **CUSTOMER COUNT ANNUALIZATION**

4 **Q. PLEASE EXPLAIN THE REVENUE ADJUSTMENT MADE TO REFLECT**
5 **CHANGES IN RESIDENTIAL AND SMALL GENERAL SERVICE CUSTOMERS**
6 **FOR SPIRE.**

7 A. During recent years, Spire has experienced increases in both the number of its residential and
8 small general service customers billed at the General Service rate. Schedule WES-1,
9 Subschedule H2-Rev2 adjusts revenues to an annualized level to reflect annualized customer
10 changes based on the average annual number of customers for the period ended September
11 2019 compared to the average annual number of customers for the period ended September
12 2018.

13 **CUSTOMER RATE SWITCHING/LARGE USER CHANGES**

14 **Q. PLEASE DISCUSS THE RATE SWITCHING AND CLASSIFICATION**
15 **ADJUSTMENTS FOR SPIRE.**

16 A. Customer rate switching and classification adjustments are completed as part of the rate case
17 process. Test year bills, usage, and revenue are normalized to reflect customers who switched
18 rates throughout the test year, as well as adjusted for customers who will change customer
19 classes based on an annual usage review exercise. Rate switching adjustments include
20 customers who did change rates during the test year. For example, if a Spire large general
21 service customer switched to transportation service during the middle of the test year,
22 revenues were normalized to the rate they switched to for all 12 months and removed from

1 the original rate being billed. Data from the billing system was compiled and reviewed to aid
2 in this adjustment. This adjustment is shown in Schedule WES-1, Subschedule H2-Rev2.

3 **Q. WHAT ELSE DOES YOUR RATE CLASSIFICATION ADJUSTMENTS INCLUDE?**

4 **A.** Rate Classification adjustments also include customers who should switch rates based on their
5 annual usage level. For Spire, these customers were reviewed based on their actual usage,
6 and any customer with usage exceeding the tariff-determined annual usage level was switched
7 to a different rate class and then weather adjusted. Volumes were then applied to the rate
8 design according to the rate class the customer is moving to and subtracted from the rate
9 design for the rate class they were in. The net revenue impact of all the above Spire changes
10 resulted in a \$1.4 million reduction in operating revenue, shown in Schedule WES-1,
11 Subschedule H2-REV2.

12 **DISCONNECTION AND LATE PAYMENT FEE NORMALIZATION**

13 **Q. HAS SPIRE INCLUDED AN ADJUSTMENT TO REVENUE TO REFLECT A**
14 **NORMAL LEVEL OF DISCONNECTIONS?**

15 **A.** Yes. In response to the COVID-19 pandemic, the Company took swift action in March 2020
16 to suspend customer disconnections. This action resulted in customers who would have been
17 disconnected under typical circumstances staying on the system and incurring additional
18 customer charges. The Company has done an analysis using historical disconnection trends
19 and reduced test year revenue by approximately \$500 thousand dollars in order to normalize this
20 item. The adjustment can be found on Schedule WES-1, Sub-schedule H-2, Rev-2, which I
21 am sponsoring.

22 **Q. HAS THE COMPANY MADE ANY ADDITIONAL REVENUE ADJUSTMENTS**
23 **RELATED TO THE COVID-19 PANDEMIC?**

1 A. Yes, Schedule WES-1, Sub-schedule H-2, Rev-2 includes an adjustment for reduced
2 disconnection and late payment fees in the test year. This adjustment normalizes the amount
3 of these revenues the Company would receive under typical circumstances.

4 **REVENUE LOSS: ENERGY EFFICIENCY/CONSERVATION**

5 **Q. HAS THE COMPANY MADE ANY ADDITIONAL REVENUE ADJUSTMENTS**
6 **RELATED TO ENERGY EFFICIENCY AND CONSERVATION?**

7 A. Yes. Sub-schedule H2-Rev2 of Schedule WES-1 contains an adjustment for the normalization
8 of base revenues due to customer implementation of energy efficiency and conservation
9 measures. The Company's average annual use per customer has continued to decline and the
10 Company would like to explore the normalization of this variable on revenue during this
11 proceeding. Spire has included an adjustment of zero as a placeholder but will explore this
12 idea further throughout this case.

13 **RATES USED IN CALCULATING ADJUSTMENTS**

14 **Q. WHAT RATES HAVE YOU USED TO PRICE OUT THE REVENUE**
15 **ADJUSTMENTS MADE TO THE TEST YEAR UTILITY OPERATING INCOME**
16 **RELATED TO ON-SYSTEM SALES LEVELS FOR SPIRE?**

17 A. Spire's revenue adjustments related to on-system sales were calculated using the non-gas rates
18 in Spire's tariffs, effective April 19, 2018, that are designed to recover its cost of service, other
19 than the cost of purchased gas.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes, it does.

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

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

AFFIDAVIT

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Alicia Mueller, of lawful age, being first duly sworn, deposes and states:

1. My name is Alicia Mueller. I am Manager of Operational Accounting for Spire Missouri Inc. My business address is 700 Market St., St Louis, Missouri, 63101.
2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Spire Missouri Inc.
3. Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.

s/ Alicia Mueller _____
Alicia Mueller

December 10, 2020 _____
Date