

*Exhibit No.:*

*Issues: GSIP; Off-System Sales/  
Capacity Release;  
PGA/ACA Tariff;  
CAM Gas Supply and  
Transportation  
Standards of Conduct*

*Witness: Anne M. Crowe*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Rebuttal Testimony*

*Case Nos.: GR-2017-0215 and  
GR-2017-0216*

*Date Testimony Prepared: October 20, 2017*

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**PROCUREMENT ANALYSIS**

**REBUTTAL TESTIMONY**

**OF**

**ANNE M. CROWE**

**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  
October, 2017*

**\*\* Denotes Confidential Information \*\***

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**ANNE M. CROWE**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **ANNE M. CROWE**

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

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

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

8 Q. Please state your name and business address.

9 A. Anne M. Crowe, P.O. Box 360, Jefferson City, MO. 65102.

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

11 A. I am employed by the Missouri Public Service Commission (“Commission”) as  
12 Regulatory Auditor in the Procurement Analysis Unit, Commission Staff Division.

13 Q. Are you the same Anne M. Crowe who contributed to Staff's Class Cost of  
14 Service Report filed on September 22, 2017 in this case?

15 A. Yes, I am.

16 Q. Is the information you provided in Staff's Report still true and accurate to the best  
17 of your knowledge?

18 A. Yes.

19 **EXECUTIVE SUMMARY**

20 Q. What is the purpose of your rebuttal testimony?

21 A. The purpose of my testimony is to respond to the direct testimony of LAC and  
22 MGE witnesses Mr. Eric Lobser and Mr. Scott A. Weitzel concerning the off-system sales  
23 margins and capacity release credits sharing mechanism (“OSS/CR”) and the gas supply  
24 incentive plan (“GSIP”), OPC witness Mr. John S. Riley regarding OSS/CR, and Environmental

1 Defense Fund witness Mr. Gregory M. Lander concerning his proposed tariff and Gas Supply  
2 and Transportation Standards of Conduct changes.

3 Q. Please explain Staff's position regarding OSS/CR.

4 A. Staff is not opposed to Spire Missouri's proposal of changing the OSS/CR sharing  
5 mechanism to a flat percentage sharing such that 25% is retained by the Company and 75% goes  
6 to the ratepayers as a reduction to gas costs via the Purchased Gas Adjustment ("PGA")/Actual  
7 Cost Adjustment ("ACA"). However, Staff does not recommend allocating the total OSS/CR  
8 between LAC and MGE as Spire Missouri proposes. Staff recommends the MGE and LAC  
9 customers receive a credit based on the actual OSS/CR level achieved with the specific LAC and  
10 MGE assets as is currently the treatment of OSS/CR.

11 Q. What is Staff's position concerning the GSIP?

12 A. As I explained in the Class Cost of Service Report, Staff recommends eliminating  
13 the GSIP currently in effect for LAC and does not recommend implementing a similar GSIP  
14 for MGE.

15 Q. Please explain Staff's position regarding the tariff and Gas Supply and  
16 Transportation Standards of Conduct changes proposed by Gregory Lander.

17 A. Mr. Lander's proposal appears complicated and may be lacking sufficient detail  
18 to implement. Due to the lack of clarity with how each of the proposed tariff changes would  
19 be applied, Staff would recommend no changes to the tariff or Standards of Conduct ("SOC") at  
20 this time.

21 **OFF-SYSTEM SALES MARGINS AND CAPACITY RELEASE CREDITS SHARING**  
22 **MECHANISM**

23 Q. What are MGE's and LAC's proposals with regard to the OSS/CR sharing  
24 mechanism?

1           A.     As Mr. Eric Lobser (Direct, page 19) and Mr. Scott Weitzel (Direct, page 29)  
2 explain, Spire Missouri is proposing to eliminate the dollar sharing tiers that trigger the  
3 increasing sharing percentages in the current OSS/CR sharing mechanism. Instead, they  
4 recommend a flat percentage sharing with 25% retained by the Company and 75% to the  
5 ratepayers through the PGA/ACA as a reduction to gas costs. Mr. Lobser further explains  
6 (Direct, page 20) Spire Missouri proposes an “allocation [between LAC and MGE customers]  
7 approximately reflecting such historic levels” of the total margins received on the OSS/CR  
8 transactions between the LAC and MGE customers. The proposed tariffs for LAC and MGE  
9 indicate LAC will be allocated 70% and MGE will be allocated 30% of the total OSS/CR.

10           Q.     Are you opposed to the single sharing percentage of 25%?

11           A.     No. As I stated in Staff's Class Cost of Service Report, I am not opposed to  
12 LAC's and MGE's request to move to a single 25% sharing percentage. With that being said,  
13 I am opposed to allocating total OSS/CR between MGE and LAC. The customer's share of  
14 OSS/CR should remain distinct to each division of Spire Missouri.

15           Q.     Why are you opposed to allocating total OSS/CR between MGE and LAC?

16           A.     LAC and MGE have different gas supply portfolios and PGA/ACA rates. LAC  
17 and MGE are served by different pipelines, and gas supply contracts. MGE and LAC customers  
18 pay rates based on the specific pipeline and supply used to serve them. Therefore, MGE  
19 customers' share of OSS/CR should be based on the MGE gas supply portfolio and the LAC  
20 customers' share should be based on the OSS/CR achieved using the LAC gas supply portfolio.  
21 In other words, these customers should get a credit based on the costs they pay.

22           Another reason I recommend the OSS/CR should not be allocated but should be based on  
23 the actual OSS/CR level achieved with the specific LAC and MGE assets is that there are LAC

1 and MGE tariff nuances concerning OSS/CR. For example, the firm transportation customers of  
2 LAC receive a share of the OSS/CR because (unlike MGE's transporters) they pay a portion of  
3 the LAC pipeline capacity reservation charges. Additionally, there is no LAC sharing on the  
4 capacity release credits from LAC's experimental school aggregation service customers. All of  
5 these capacity release credits flow through to LAC's firm customers.

6 Q. How is Spire Missouri proposing to allocate the total OSS/CR margins between  
7 LAC and MGE?

8 A. The proposed tariffs allocate 70% of OSS/CR to LAC and 30% to MGE “which  
9 are based on historical performance.” (MGE tariff sheet no. 24.2 and LAC tariff sheet no. 28-i)

10 Q. Do you agree allocating 70% to LAC and 30% to MGE is an accurate allocation?  
11 Please explain.

12 A. No. The current levels of OSS/CR for LAC and MGE are not consistent enough  
13 to warrant an allocation. Over the last five years MGE's percentage of the total LAC and MGE  
14 OSS/CR has been as low as \*\* \_\_\_ \*\* and as high as \*\* \_\_\_ \*\*. See the table below for the  
15 MGE and LAC percentages of the total OSS/CR.

16

Percent of Total OSS/CR					
	2011/12	2012/13	2013/14	2014/15	2015/16
MGE	** ___ **	** ___ **	** ___ **	** ___ **	** ___ **
LAC	** ___ **	** ___ **	** ___ **	** ___ **	** ___ **

17  
18 In the 2013/2014 ACA period, MGE's percentage of the total OSS/CR was \*\* \_\_\_ \*\*. If Spire  
19 Missouri's proposal had been in effect in 2013/2014, allocation of OSS/CR would have shifted  
20 approximately \*\* \_\_\_\_\_ \*\* from LAC customers to MGE customers. This means the LAC  
21 customers would have had approximately \*\* \_\_\_\_\_ \*\* higher gas costs than they would  
22 have had the current method of OSS/CR stayed in effect.

1 Q. Mr. Riley of OPC suggests the sharing percentage should be changed to 5% LAC  
2 and MGE sharing and 95% to the ratepayers. Do you agree with this position? Please explain.

3 A. No. The Commission's decision in Case No. GR-2004-0209 authorized MGE  
4 to keep a percentage of OSS/CR as an incentive for MGE to maximize its OSS/CR levels.  
5 The Commission authorized percentages to begin at 15% and increase in 5% increments up to  
6 30% being retained by MGE. The Commission-authorized percentages are significantly greater  
7 than the 5% OPC is suggesting.

8 **GAS SUPPLY INCENTIVE PLAN**

9 Q. What is Staff's recommendation concerning the GSIP?

10 A. As I explained in the Class Cost of Service Report, Staff recommends eliminating  
11 the GSIP currently in effect for LAC and does not recommend implementing a similar GSIP for  
12 MGE. As an alternative, if the Commission determines a GSIP is appropriate for LAC and  
13 MGE, Staff recommends the LAC GSIP continue in its current form and the MGE GSIP should  
14 be structured similar to LAC's with the same gas pricing tiers and an overall cap on earnings.

15 Q. What is Spire Missouri's proposal with regard to LAC's current GSIP and  
16 implementing an MGE GSIP?

17 A. For the LAC area, Spire Missouri proposes to 1) remove financial hedging costs  
18 and benefits from the GSIP calculation, 2) add a pipeline discount provision, and 3) remove the  
19 gas price tiers that govern LAC's eligibility for sharing savings under the GSIP. In addition,  
20 Spire Missouri proposes adding a similar GSIP for the MGE area with index prices for the  
21 locations in which MGE supplies are purchased. (Mr. Lobser Direct, page 21 and Mr. Weitzel  
22 Direct, pages 26-27)

1 Q. Please explain why Spire Missouri's proposed change of removing the financial  
2 hedging impacts is not appropriate.

3 A. Spire Missouri hedges to reduce the volatility of physical gas supply prices.  
4 LAC's tariff classifies hedging costs and benefits as a commodity-related charge.<sup>1</sup> LAC can  
5 hedge the price of gas through either a physical gas supply contract with a supplier, such as  
6 locking in a fixed price with a gas supplier, or a financial hedge, such as buying a futures  
7 contract on the New York Mercantile Exchange (NYMEX). Including hedging costs in the GSIP  
8 calculation captures the cost and benefit of both types of hedging (physical or financial).  
9 It would not be appropriate to include physical hedging costs but exclude financial hedging costs  
10 from the GSIP calculation. The impact of excluding financial hedging costs from the GSIP  
11 could mean that the Company is eligible for compensation under the GSIP at the same time  
12 customers are paying overall higher gas costs due to the cost of financially hedging gas prices.

13 Q. Please explain why Staff disagrees with LAC's proposal to remove the  
14 gas price tiers?

15 A. In Case No. GR-2007-0208, OPC witness Barbara A. Meisenheimer explained the  
16 gas pricing tiers (or bands) were designed to act as a ceiling and a floor to determine whether  
17 LAC is eligible for compensation. Ms. Meisenheimer explained the “ceiling was to act as a  
18 safeguard to ensure that Laclede was not compensated at a time when customers were paying an  
19 extremely high price for natural gas. Similarly, the bands floor was established in an effort to  
20 recognize that customers would be unwilling to pay for further reductions in the price of natural  
21 gas when the price was already very low.”<sup>2</sup> Staff recommends the safeguards created by the gas

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<sup>1</sup> Tariff Sheet No. 17.

<sup>2</sup> Direct Testimony Barbara A. Meisneheimer Case No. GR-2007-0208 page 14, lines 13-17.



1 pricing tiers remain intact if the Commission determines the GSIP should continue for LAC, and  
2 be adopted for MGE.

3 Q. Please explain why Staff opposes Spire Missouri's proposal to add a pipeline  
4 discount provision to the GSIP.

5 A. Under Spire Missouri's proposal, if Spire Missouri negotiates discounts with its  
6 pipelines it would receive a discount based on the difference between the FERC approved  
7 maximum tariff rate and the discounted rate. This would mean that the higher the FERC rate, the  
8 greater Spire Missouri's compensation would be; which would eliminate an incentive for Spire  
9 Missouri to work toward keeping interstate pipeline rates as low as possible, and could lead to  
10 higher gas costs for its customers.

11 Q. What is Staff's recommendation concerning the GSIP?

12 A. As I explained in the Class Cost of Service Report, Staff recommends eliminating  
13 the GSIP currently in effect for LAC and does not recommend implementing a similar GSIP for  
14 MGE. As an alternative if the Commission determines a GSIP is appropriate for LAC and MGE,  
15 Staff recommends the LAC GSIP continue in its current form and the MGE GSIP be structured  
16 similar to LAC's with the same gas pricing tiers and an overall cap on earnings of \$2.5 million.

17 **TARIFF AND GAS SUPPLY AND TRANSPORTATION STANDARDS OF CONDUCT**  
18 **REVISIONS**

19 Q. The Environmental Defense Fund witness, Mr. Gregory M. Lander, proposes  
20 several changes to LAC's current tariff and Spire Missouri's Cost Gas Supply and Transportation  
21 SOC which is part of the Cost Allocation Manual and applies to both LAC and MGE.  
22 He proposed no changes to MGE's tariff. What is the purpose of his proposed changes?

1           A.     Mr. Lander states the changes are proposed to “reflect recent trends in the natural  
2 gas market and to protect ratepayers from any unreasonable costs associated with affiliated  
3 pipeline transportation agreements.”<sup>3</sup>

4           Q.     What are some of Staff's concerns with Mr. Lander's proposed changes?

5           A.     Mr. Lander's proposal appears complicated and may be lacking sufficient detail to  
6 implement. Staff is concerned Mr. Lander's proposal does not take into consideration issues  
7 such as \*\* \_\_\_\_\_ \*\* from LAC's propane cavern, capacity turn back, SOC bidding  
8 requirements, and Staff's GSIP recommendations. LAC receives revenue from \*\* \_\_\_\_\_  
9 \_\_\_\_\_ \*\*. If LAC were to take the propane cavern and  
10 vaporization facilities out of service, it is unclear how these \*\* \_\_\_\_\_ \*\* would be  
11 treated under Mr. Lander's proposal. In terms of Mr. Lander's example of allowing Spire  
12 Missouri to recover new pipeline costs up to the amount of turn back capacity on Enable  
13 Mississippi River Transmission, LLC (“Enable MRT”), it is unclear how an increase in Enable  
14 MRT rates would impact his proposal. LAC is the largest shipper on Enable MRT; if LAC turns  
15 back a portion of its Enable MRT capacity there is the possibility that Enable MRT will file a  
16 rate case with the FERC to increase its rates due to the lost revenue from LAC. In Mr. Lander's  
17 First-Of-Month (“FOM”)<sup>4</sup> benchmark comparison it is not clear whether current Enable MRT  
18 rates or the new Enable MRT rates would be used. If the new Enable MRT rates are used in the  
19 calculation, it may mean that ratepayers' gas costs will increase due to the higher Enable MRT

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<sup>3</sup> Direct Testimony Gregory Lander page 3, line 28 and page 4, lines 1-2.

<sup>4</sup> The FOM index is a gas price developed and published by Platt's in its trade publication, *Inside FERC's Gas Market Report*. The index price is generally based on a volume-weighted average of fixed price gas supply transactions occurring during the last five business day of the month at a specific location. It is common for an LDC to use index pricing to set the price of gas it buys from its suppliers. Once the FOM index is set at the beginning of the month, it does not change throughout the month.

1 rates for the remaining capacity and to the extent there are costs from the replacement capacity  
2 outstanding.

3         Regarding Mr. Lander's proposed SOC changes concerning bidding transportation  
4 capacity, Staff's view is that a requirement to bid pipeline capacity does not necessarily mean it  
5 was a prudent decision to add that capacity. In addition, the SOC transportation bidding  
6 requirements would not be applied retroactively to Spire STL Pipeline. In terms of the GSIP  
7 changes, Staff's primary recommendation is that the current LAC GSIP be discontinued. If the  
8 Commission agrees with Staff, the GSIP FOM benchmark would not be available to make  
9 Mr. Lander's proposed gas supply cost comparisons.

10         Q.     What would Staff recommend at this time?

11         A.     Due to the lack of clarity with how each of the proposed changes would be  
12 applied, Staff would recommend no changes to the tariff or SOC at this time.

13         Q.     Does this mean Staff will not review Spire Missouri's (LAC's) decision to  
14 contract with Spire STL Pipeline and the related costs of any contract with Spire STL Pipeline if  
15 it is built?

16         A.     No. Staff will review such decision and costs as part of its annual  
17 PGA/ACA process.

18         Q.     Does this conclude your rebuttal testimony?

19         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 ANNE M. CROWE**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW ANNE M. CROWE** and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

  
\_\_\_\_\_  
**ANNE M. CROWE**

**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 19<sup>th</sup> day of October, 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