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Case No.:

Reputational Risk
Seaver/Direct
Public Counsel
GR-2022-0179

DIRECT TESTIMONY

OF

JORDAN SEAVER

Submitted on Behalf of the Office of the Public Counsel

SPIRE MISSOURI, INC.

CASE NO. GR-2022-0179

**

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Denotes Confidential Information that has been redacted

August 31, 2022

PUBLIC

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**DIRECT TESTIMONY
OF
JORDAN SEAVER
SPIRE MISSOURI d/b/a SPIRE MISSOURI, INC.**

CASE No. GR-2022-0179

I. INTRODUCTION

Q. What is your name and what is your business address?

A. My name is Jordan Seaver, and my business address is 200 Madison Street, Governor Office Building, Suite 650, Jefferson City, MO 65102

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

A. I am employed by the Office of Public Counsel (“OPC”) as a Policy Analyst.

Q. Have you previously testified before the Missouri Public Service Commission?

A. No. I have submitted pre-filed testimony, but I have not been called to testify before the Commission. See Schedule JS-D-7 for case participation history.

Q. What are your work and educational background?

A. I previously worked as a Legal Assistant for Cascino Vaughan Law Offices for 7 years. I have been employed as Policy Analyst by OPC since January 2022. I have a Master of Arts in Philosophy from the University of Wyoming, and a Bachelor of Arts in Philosophy from the University of Illinois at Chicago. I have attended Michigan State University’s Institute of Public Utilities (“IPU”) Accounting and Ratemaking Course, as well as the National Association of Regulatory Utility Commissioners (“NARUC”) Rate School in 2022.

Q. What is the purpose of your direct testimony?

A. The purpose of this testimony is to show that Spire Missouri’s reputation has suffered as a result of management mishandling the incidents surrounding the Spire STL Pipeline. Because of the mishandling and the resulting effects on the Company’s reputation, I am proposing a reduction in officer incentive pay. In addition to this, I propose that the officer incentive pay for Spire Inc. as a whole not be completely born by Spire Missouri.

1 **II. REPUTATIONAL RISK**

2 **Q. What is reputational risk?**

3 A. Reputational risk is the potential damage to a company’s reputation. The reputation of a
4 company is what customers, lenders, and other businesses use to determine if they will do
5 business with the company. It is important for a company to minimize its reputational risk
6 and to ameliorate damage done to its reputation. This is “traditional” reputational risk. The
7 need to minimize reputational risk and ameliorate damage done to reputation applies to
8 unregulated companies participating in a free market, but also to regulated investor-owned
9 utilities (“IOUs”). IOUs, although they have captive customers, need to worry about
10 reputational risk because they are subject to disallowances that the regulating body finds
11 necessary to encourage better operation. This is a form of reputational risk only associated
12 with regulated companies.

13 **Q. Has Spire Missouri’s reputation suffered damage since the last rate case?**

14 A. Yes. In 2021, shortly after the U.S. DC Circuit Court decision to vacate the Federal Energy
15 Regulatory Commission’s (“FERC”) approval of the Spire STL pipeline, Spire Missouri sent
16 out warnings to its customers that they may not have heat during the upcoming winter. The
17 warnings came in the form of radio and social media advertisements, press releases, and
18 emails and letters included with customers’ bills.¹ This provoked panic among customers
19 who believed that they would have to find other means of heating.² This panic was
20 unnecessary and was a result of very poor management decisions.³ The Spire STL pipeline
21 also caused complaints by landowners about the use of eminent domain, and about land
22 quality and restoration issues after the pipeline was built. After construction of the pipeline
23 on farmland, landowners complained about water pooling, soil erosion, debris like rocks and

¹ Mario Ariza, The Intercept, “The \$287 Million Pipeline No One Needed? How Spire’s Ambitions Almost Left St. Louis Without Heat”, April 27, 2022, <https://theintercept.com/2022/04/27/pipeline-spire-missouri-gas-renewable-energy>.

² Bryce Gray, St. Louis Post-Dispatch, “Missouri regulators, worried Spire is stoking fear, order the company to write letter to customers”, November 21, 2021, https://www.stltoday.com/business/local/missouri-regulators-worried-spire-is-stoking-fear-order-the-company-to-write-letter-to-customers/article_03e4dd98-7dea-5827-a518-bb296dd3b36c.html.

³ Bryce Gray, St. Louis Post-Dispatch, “State hammers Spire about pipeline messages, but stops shy of formal complaint”, February 14, 2022, https://www.stltoday.com/business/local/state-hammers-spire-about-pipeline-messages-but-stops-shy-of-formal-complaint/article_c95414c1-4afd-511f-9c66-0c56c849339c.html.

1 wood pieces in the pipeline and building path, and poor vegetation growth.⁴ The pipeline
2 itself has also been controversial, as the FERC decision to investigate and the DC Circuit
3 Court decision to vacate FERC's approval were based on a concern that the Company was
4 self-dealing in constructing the pipeline as an unregulated subsidiary of Spire Inc.⁵

5 **Q. How is this reputational damage related to Spire Missouri's management decisions?**

6 A. As I stated before, there is "traditional" reputational risk and reputational risk associated with
7 regulated companies. Traditional reputational risk can harm a company by making it lose
8 customers who decide to go to competing businesses. Regulated companies do not typically
9 have this "traditional" reputational risk. They only suffer reputational damage as a result of
10 disallowances by regulating bodies specifically as a result of decisions made by the company
11 that would harm them similarly to free-market companies. Spire Missouri has suffered
12 damage as a result of reputational risk in the second sense, but also in the first sense. While
13 it is true that Spire Missouri has captive customers who do not choose which gas utility they
14 receive service from, it is true that there is a new non-regulatory market pressure that gas
15 companies like Spire are facing. I am referring to electrification. This is the term used to
16 describe the replacement of gas water heaters, furnaces, and appliances by electric ones. This
17 removes the gas company's service completely from these customers. I believe that Spire has
18 an incentive to retain these customers just as a normal, unregulated company would. The
19 media coverage of the Spire STL pipeline situation has been extremely critical of Spire
20 Missouri. In particular, journalists writing about the pipeline have questioned why the
21 pipeline should have existed if gas demand in the region was flat, and if, as they claim, gas
22 usage is contributing to global climate change. These journalists and other activists are
23 applying market pressure to Spire Missouri by urging their customers, whether implicitly or

⁴ From the FERC docket investigating the Spire STL Pipeline, surveys of farmland where the pipeline was built were conducted and evidence compiled. See Schedules JS-D-1 through JS-D-5.

⁵ The purported reasons for the construction of the Spire STL pipeline are discussed in detail in "Staff's Investigation of Spire STL Pipeline's Application at FERC for a Temporary Certificate to Operate" in Case No. GO-2022-0022 (See Schedule JS-D-6). While there were legitimate reasons for its construction, the ownership of the pipeline outside of the regulated company Spire Missouri has led to the accusations of self-dealing and profiting at the expense of Missouri ratepayers. It is because of the ownership structure chosen by Spire Inc. and Spire Missouri that the EDF, FERC, and others have made these accusations.

1 explicitly, to electrify. This is an example of real, “traditional” reputational risk and any
2 reputational damage as a result would be completely non-regulatory.

3 **Q. Are there any examples of Spire Missouri executive officer compensations that may**
4 **carry reputational risk in light of the Spire STL pipeline situation?**

5 A There are specific examples. Suzanne Sitherwood, President and CEO of Spire Missouri,
6 received compensation in 2021 of roughly \$5.6 million according to SEC filings. This is 26%
7 more than her compensation from 2020 of \$4.4 million.⁶ Although much of this increase was
8 from stocks held, there was also incentive pay. **_____

9 _____
10 _____
11 _____ **

12 Incentive pay for management in these amounts does nothing to rehabilitate Spire Missouri’s
13 reputation with its customers. Add to the incentive pay of each executive officer
14 compensation from stock options, similar to Suzanne Sitherwood, and customers wonder why
15 their bills are increasing while Spire management is being given increases in compensation.
16 The reputational risk associated with the Spire STL pipeline does not warrant such increases.

17 **Q. What do you propose that the Commission order for a rehabilitation of Spire Missouri’s**
18 **reputation?**

19 A. My proposal is that the Commission disallow the total annual incentive plan (“AIP”) dollars
20 from Staff’s annualized workpapers from the last rate case (GR-2021-0108). **_____

21 _____ ** Disallowing the AIP would be a way to show that the
22 Commission cares about Spire’s service to its customers. It would show a desire to retain
23 these customers, and I have shown that there is a very real concern that the Company could
24 lose these customers to electrification and thus the electric utility in that area. The reputational
25 risk of Spire’s management decisions applies directly to Spire Missouri East, where the Spire
26 STL pipeline services customers. Although the Spire STL pipeline does not service West, the

⁶ Bryce Gray, St. Louis Post-Dispatch, “Spire CEO Sitherwood nets pay raise amid year of ‘record earnings growth’,
December 23, 2021, https://www.stltoday.com/business/local/spire-ceo-sitherwood-nets-pay-raise-amid-year-of-record-earnings-growth/article_e4f489b3-4de5-55d7-9961-90ec2a3b4524.html.

⁷ See Schedule JS-D-8 CONF.

1 reputation of Spire Missouri was damaged by the actions taken in Spire Missouri East. In an
2 unregulated environment, the Company would need to take actions to ameliorate damage to
3 reputation in all service territories, as customers would be aware of what was happening with
4 the Company in general. The same “traditional” reputational risk applies to Spire Missouri
5 West in the form of electrification of residential customers’ homes. Because of this indirect
6 reputational risk, I propose that the Commission disallow the total AIP of Spire Missouri
7 West, ****_____****. My proposed disallowances do not preclude Spire
8 shareholders from covering executive officers’ bonus and incentive pay.

9 **Q. Does this conclude your testimony?**

10 **A. Yes.**

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


In the Matter of Spire Missouri, Inc. d/b/a Spire's)
Request for Authority to Implement a General)
Rate Increase for Natural Gas Service Provided) Case No. GR-2022-0179
in the Company's Missouri Service Areas)

AFFIDAVIT OF JORDAN SEAVER

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Jordan Seaver, of lawful age and being first duly sworn, deposes and states:

1. My name is Jordan Seaver. I am a Policy Analyst for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



Jordan Seaver
Policy Analyst

Subscribed and sworn to me this 31st day of August 2022.



TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121



Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.