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Witness: Anne M. Crowe
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL and BUSINESS ANALYSIS DIVISION

PROCUREMENT ANALYSIS

REBUTTAL TESTIMONY

OF

ANNE M. CROWE

**SPIRE MISSOURI INC., d/b/a SPIRE
SPIRE EAST and SPIRE WEST
GENERAL RATE CASE**

CASE NO. GR-2021-0108

*Jefferson City, Missouri
June, 2021*

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **ANNE M. CROWE**

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

5 **SPIRE EAST and SPIRE WEST**
6 **GENERAL RATE CASE**

7 **CASE NO. GR-2021-0108**

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 Senior Utility Regulatory Auditor in the Procurement Analysis Department, Financial and
13 Business Analysis Division.

14 Q. Have you provided your education and employment background?

15 A. Yes. Please see Schedule AMC-r1.

16 Q. Have you previously filed testimony before this Commission?

17 A. Yes. Schedule AMC-r1, attached to my rebuttal testimony, is a listing of cases
18 and issues I have addressed in testimony.

19 Q. Have you participated in the Commission Staff’s (“Staff”) review of Spire
20 Missouri’s general rate case filing?

21 A. Yes, with the assistance of other members of Staff.

22 **EXECUTIVE SUMMARY**

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

1 A. The purpose of my testimony is to respond to the direct testimony of
2 Spire witness Mr. Scott A. Weitzel and The Office of the Public Council (“OPC”) witness
3 Mr. John S. Riley regarding the Gas Supply Incentive Plan (“GSIP”).

4 Q. What is your understanding of Spire’s GSIP recommendation?

5 A. Spire is recommending the GSIP be expanded to include Spire West¹ by changing
6 the benchmark calculation to use the blended gas supply portfolios of Spire East and Spire West,
7 and changes to the natural gas price tiers (Mr. Weitzel Direct pg. 21, lines 6-8).

8 Q. What is your understanding of OPC’s GSIP recommendation?

9 A. OPC recommends suspending the Spire East GSIP (Mr. Riley Direct page 7,
10 lines 2-7).

11 Q. What is Staff’s position concerning OPC’s and Spire’s GSIP proposals?

12 A. Staff agrees with OPC’s recommendation of suspending the Spire East GSIP.
13 Staff is opposed to Spire’s recommendation of expanding the GSIP to include Spire West by
14 blending the portfolios of East and West to calculate the annual benchmark price and is opposed
15 to changing the natural gas pricing tiers.

16 **GAS SUPPLY INCENTIVE PLAN**

17 Q. What is Staff’s recommendation concerning the GSIP?

18 A. Staff agrees with OPC’s recommendation of suspending the Spire East GSIP.
19 The current Spire East GSIP gas supply pricing locations are outdated and there is too much
20 uncertainty regarding the prudence of Spire East’s decision to contract for interstate pipeline
21 capacity with its affiliate Spire STL Pipeline. Staff is opposed to Spire’s recommendation of
22 expanding the GSIP to include Spire West by blending the portfolios of East and West to

¹ Spire West’s tariff does not currently contain a GSIP.

1 calculate the annual benchmark price. For the same reason Staff agrees with OPC's
2 recommendation in opposition to Spire's GSIP recommendation. It is premature to allow
3 Spire to potentially earn an incentive on its gas supply portfolio which includes its affiliate
4 Spire STL Pipeline before the prudence review of Spire East gas supply portfolio reconfiguration
5 is completed. Staff is also opposed to changing the natural gas pricing Tier 1. It is Staff's
6 opinion that the \$3.00 per MMBtu floor is a reasonable price and if the Commission should
7 determine the GSIP should continue, the \$3.00 per MMBtu Tier 1 should remain.

8 Q. Please explain the current Spire East GSIP tariff².

9 A. Spire East's GSIP was established "For purposes of reducing the impact of
10 upward natural gas commodity price volatility on the Company's customers..."³ The objective
11 of the GSIP is to encourage Spire East to purchase the lowest cost reliable supply while
12 recognizing gas supply price hedging also impacts gas supply costs. The GSIP starts by
13 establishing an Annual Benchmark Price for gas supply. If Spire East purchases gas below this
14 benchmark price and if Spire East's annual Net Commodity Gas Price falls within pre-defined
15 pricing tiers, Spire East is allowed to keep 10% of the savings it achieves, up to a maximum of
16 \$3 million.

17 Spire East's current GSIP structure was implemented in Laclede Gas Company's 2002
18 rate case with minor modifications to the tier prices and benchmark structure in subsequent rate
19 cases. Spire East's incentive award is based on the Annual Benchmark Price and
20 Net Commodity Gas Price. The Annual Benchmark Price is developed using the First-of-Month
21 (FOM) index prices⁴ for locations where Spire East buys its gas supply. The FOM indexes are

² Spire Missouri East's tariff P.S.C. MO. No. 7, Original Sheet No. 11.9, 11.10, and 11.11.

³ Spire Missouri East's tariff P.S.C. MO. No. 7, Original Sheet No. 11.9.

⁴ 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

1 then weighted by the percentage of Spire East's pipeline capacity to arrive at the Annual
2 Benchmark Price. Spire East's Net Commodity Gas Price is the total cost of gas supply
3 purchased for its customers including the gas supply price hedging divided by actual purchased
4 volume. The natural gas pricing tiers and the incentive compensation eligibility requirements are:

5

	TIER LEVELS
Tier 1	less than or equal to \$3.00 per MMBtu
Tier 2	greater than \$3.00 per MMBtu and less than or equal to the Incentive Sharing Ceiling set forth below
Tier 3	greater than the Incentive Sharing Ceiling at \$6.50 per MMBtu

6
7 (b). In order for the Company to be able to receive incentive
8 compensation, Net Commodity Gas Price per MMBtu must be
9 below the Annual Benchmark Price per MMBtu and the Net
10 Commodity Gas Price per MMBtu must fall within Tier 1 or Tier
11 2. Further, the Annual Benchmark Price per MMBtu must fall
12 within Tier 2 or Tier 3.⁵

13 If Spire East's Annual Benchmark Price falls within Tier 1, it is considered a low
14 priced market environment, and Spire East is not rewarded for reducing gas supply costs. If
15 Spire East's Net Commodity Gas Price falls within Tier 3, it is considered a higher price
16 environment and incentive awards are suspended. Tier 1 acts as a floor and Tier 3 acts as a
17 ceiling for Spire's incentive compensation. Spire East is eligible for incentive compensation only
18 when Spire East's annual Net Commodity Gas Price is within Tier 2 and below the Annual
19 Benchmark Price, which means under the current tariff, Spire East receives incentives when
20 its Net Commodity Price is between \$3.00 and \$6.50 per MMBtu and below the Annual
21 Benchmark Price.

transactions occurring during the last five business days 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.

⁵ Spire Missouri East's tariff P.S.C. MO. No. 7, Original Sheet No. 11.9.

1 Q. Mr. Weitzel states Spire is proposing to blend the Spire East Annual Benchmark
2 Price to include Spire West. Please explain why Staff is opposed to blending a Spire East and
3 Spire West GSIP.

4 A. Consistent with Staff's opposition⁶ to combining the PGA/ACA rates of Spire
5 East and West as stated in the rebuttal testimony of Staff witness David Sommerer, Staff is
6 opposed to combining the Spire East GSIP with a Spire West GSIP. Spire East and West have
7 different gas supply portfolios which produce different PGA/ACA rates. Spire East and West
8 are served by different pipelines and gas supply contracts.

9 Q. Are there any other reasons Staff is opposed to Spire's proposed Annual
10 Benchmark Price calculation?

11 A. Yes. Spire includes Spire STL Pipeline into its Annual Benchmark Price. It is
12 premature to recommend allowing Spire to potentially earn an incentive on its gas supply
13 portfolio which includes Spire STL Pipeline because the prudence of Spire East contracting for
14 capacity from its affiliate Spire STL Pipeline has not been determined yet. Spire East has
15 significantly restructured its gas supply portfolio with the addition of Spire STL Pipeline, an
16 affiliated interstate pipeline. This affiliated pipeline began service to Spire East in November
17 2019. The prudence of Spire East's contract with Spire STL Pipeline is currently being reviewed
18 in the Spire 2019/2020 Actual Cost Adjustment⁷ with Staff's recommendation due no later than
19 December 15, 2021.

20 In addition, it is possible that with the Company's proposed GSIP the incentive
21 calculation will show an artificial "savings" such that the Company will be awarded an incentive
22 at the same time its customers' total gas costs increase. The GSIP calculation considers

⁶ See Staff witness David M. Sommerer Rebuttal Testimony in this case.

⁷ Case No. GR-2021-0127.

1 commodity and hedging costs but does not consider any pipeline transportation costs in determining
2 the incentive compensation. Spire East reconfigured its gas supply portfolio when it added Spire
3 STL pipeline transportation. It is possible that Spire may be able to acquire gas supply below the
4 benchmark price but, when the costs of pipeline transportation costs are taken into consideration,
5 customers' total overall gas costs increase.

6 Q. Mr. Weitzel is proposing to update the market price tier level by lowering Tier 1 to
7 \$2.00 per MMBtu. Please explain why Staff disagrees with Spire's proposal to revise the
8 gas price tiers?

9 A. Staff is opposed to lowering the Tier 1 price to \$2.00 per MMBtu from its current
10 price of \$3.00 per MMBtu. In Case No. GR-2007-0208, OPC witness Barbara A. Meisenheimer
11 explained the gas pricing tiers (or bands) were designed to act as a ceiling and a floor to
12 determine whether Spire East is eligible for compensation. Ms. Meisenheimer explained the
13 "ceiling was to act as a safeguard to ensure that Laclede was not compensated at a time when
14 customers were paying an extremely high price for natural gas. Similarly, the bands floor was
15 established in an effort to recognize that customers would be unwilling to pay for further
16 reductions in the price of natural gas when the price was already very low."⁸ The U.S. Energy
17 Information Administration May 2021 Short-Term Energy Outlook⁹ forecasts the price of natural
18 gas will average \$3.05 per MMBtu for all of 2021 and expects an average price of \$3.02 per
19 MMBtu in 2022. It is Staff's opinion that the \$3.00 per MMBtu floor is a reasonable price. If
20 the price is set too low, the Company may be eligible for incentive compensation without buying
21 its gas supply from the cheapest location available. Staff recommends the current gas pricing
22 tiers remain intact if the Commission determines the GSIP should continue for Spire East.

⁸ Direct Testimony Barbara A. Meisenheimer Case No. GR-2007-0208 page 14, lines 13-17.

⁹ https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf.

1 Q. Please explain why you support OPC's recommendation to suspend the GSIP.

2 A. The prudence of Spire East's decision to reconfigure its gas supply portfolio to
3 contract with its affiliated interstate pipeline is currently under review; therefore, it is too
4 early to revise the GSIP to include gas supply sourced from Spire STL Pipeline in the GSIP.
5 Staff's ACA recommendation that includes the initial Spire STL Pipeline costs is due no later than
6 December 15, 2021. The Company's proposal to incorporate Spire STL Pipeline within the GSIP
7 implies its new, revised gas supply portfolio is prudent. It is not appropriate to allow Spire East to
8 potentially earn an incentive based upon Spire STL Pipeline prior to that contracting decision being
9 found prudent. The Spire East GSIP does not address interstate pipeline costs. As Spire's GSIP
10 proposal stands, it has the potential for customers' gas costs to increase while Spire is awarded an
11 incentive. In addition adding Spire West into the GSIP benchmark calculation could potentially
12 mask an increase in gas costs the Spire East customers may experience due to Spire East's decision
13 to contact with Spire STL Pipeline. This could result in Spire shareholders earning an incentive
14 while customers' gas costs increase.

15 Q. Does this conclude your rebuttal testimony?

16 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

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 of Anne M. Crowe*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Anne M Crowe

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 16th day of June 2021.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D Suzie Mankin

Notary Public

Anne M. Crowe
Regulatory Auditor

Educational and Employment Background

I am employed as a Senior Utility Regulatory Auditor with the Missouri Public Service Commission. I graduated from the University of Missouri in Columbia with a Bachelor of Science degree in Accounting in 1989. I am currently a licensed Certified Public Accountant in the state of Missouri.

During college and after graduation, I worked for Capital Bank as a Teller, New Accounts Representative, and temporary Branch Manager. I began employment with the Commission in 1990 as a Regulatory Auditor in the Accounting Department (now known as the Auditing Department). My duties included assisting with audits and examinations of the books and records of utility companies operating within the state of Missouri.

In October 1993, I obtained by current position as a Regulatory Auditor in the Procurement Analysis Unit. Since that time, my responsibilities include reviewing and analyzing amounts charged by natural gas local distribution companies (LDCs) through the Purchased Gas Adjustment (PGA)/Actual Cost Adjustment (ACA) mechanism. Since my time in the Procurement Analysis Unit, I have performed and/or assisted in performing numerous ACA reviews which include a review of LDC's capacity release and off-system sales transactions. Please see the attached table for a list of cases and issues in which I have filed testimony.

ANNE M. CROWE
SUMMARY OF TESTIMONY

Company Name	Case Number	Issues
Union Electric Company	GR-2019-0077	Rolla Incremental PGA
Missouri Gas Energy	GR-2017-0216	School Transportation Program, Gas Supply Incentive Plan, Off-System Sales and Capacity Release Sharing Mechanism, Gas Supply and Transportation Standards of Conduct
Laclede Gas Company	GR-2017-0215	Gas Supply Incentive Plan, Off-System Sales and Capacity Release Sharing Mechanism, PGA/ACA Tariff, Gas Supply and Transportation Standards of Conduct
Missouri Gas Energy	GE-2011-0282	Waiver Request
Laclede Gas Company	GC-2011-0006	Stipulation and Agreement in Case No. GM-2001-342
Laclede Gas Company	GR-2010-0171	Natural Gas Underground Storage and Gas Supply Incentive Plan
Missouri Gas Energy	GR-2009-0355	Capacity Release and Off-System Sales
Missouri Gas Energy	GR-2007-0256	Billing Error
Union Electric Company	GR-2007-0003	Gas Inventory, ACA documentation
Missouri Gas Energy	GR-2006-0422	Gas Inventory, Uncollectible Expense, and ACA documentation
Missouri Gas Energy	GR-2004-0209	Gas Inventory, Capacity Release and Gas Purchasing Practices
Union Electric Company	GR-2003-0517	Gas Inventories
Missouri Gas Energy	GR-2001-382, GR-2000-425, GR-99-304 & GR-98-167 (Consolidated)	Purchasing Practices; Refunds
Atmos Energy Corporation and United Cities Gas Company	GR-2001-396 & GR-2001-397 (Consolidated)	Purchasing Practices – Neelyville; Purchasing Practices-Consolidated District; Deferred Carrying Cost Balance; Propane

cont'd Anne M. Crowe
Summary of Testimony

Company Name	Case Number	Issues
UtiliCorp United Inc. and St. Joseph Light and Power Company	EM-2000-292	Conditions to be Made Part of Approved Merger
St. Joseph Light and Power Company	GR-99-246	Natural Gas Inventory Prices
Ozark Natural Gas Company	GA-98-227	Cost of Gas per Dth; Reliability of Supply and Transportation
Missouri Gas Energy	GR-98-140	Natural Gas Storage Inventory Prices
Missouri Public Service	GR-96-192	Winter Storage Allocation; Overrun Penalties
Union Electric Company	GR-97-393	Natural Gas Storage Inventory Prices
St. Joseph Light and Power Company	GR-96-47	Gas Purchasing Practices
Missouri Gas Energy	GR-96-285	Natural Gas Storage Inventory Prices
Ozark Natural Gas Company	GA-96-264	Cost of Gas per Dth; Reliability of Transportation
St. Louis County Water Company	WR-93-204	Rate Base; CWC; Dues & Donations; Misc. Expenses
United Cities Gas Company	GR-93-47	Rate Base; CWC; Dues & Donations; Misc. Expenses
Laclede Gas Company	GR-92-165	Payroll; Payroll Taxes; Employee Pensions and Benefits
Choctaw Telephone Company	TR-91-336	Payroll; Payroll Taxes; Employee Pensions/Benefits; Voucher Analysis; Other Misc. Expenses