

Exhibit No.: _____
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Service/Low-Income Programs/Stranded Assets/
Affiliate Transactions: Spire STL Pipeline
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Sponsoring Party: Public Counsel
Case No.: GR-2022-0179

REBUTTAL TESTIMONY
OF
GEOFF MARKE

Submitted on Behalf of the Office of the Public Counsel

SPIRE MISSOURI, INC.

CASE NO. GR-2022-0179

**

**

Denotes Confidential Information that has been redacted

October 7, 2022

PUBLIC

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REBUTTAL TESTIMONY
OF
GEOFF MARKE
EVERGY MISSOURI METRO
CASE NO. ER-2022-0129

1 **I. INTRODUCTION**

2 **Q. Please state your name, title and business address.**

3 A. Geoff Marke, PhD, Chief Economist, Office of the Public Counsel (OPC or Public Counsel),
4 P.O. Box 2230, Jefferson City, Missouri 65102.

5 **Q. Are you the same Dr. Marke that filed direct testimony in GR-2022-0179?**

6 A. I am.

7 **Q. What is the purpose of your rebuttal testimony?**

8 I am responding to the direct testimony of other parties' witnesses on select topics. The
9 following is a list of those topics and witnesses:

- 10 • Rate Design and Class Cost of Service
11 ○ Missouri Public Service Commission Staff ("Staff") witnesses Sarah L.K. Lange
12 and Francisco A. Del Pozo; and
13 ○ Consumer Council of Missouri ("CCM") witness Jacqueline A. Hutchinson
14 • Low-Income Programs
15 ○ Consumer Council of Missouri ("CCM") witness Jacqueline A. Hutchinson
16 • Stranded Assets: Meters
17 ○ Staff witnesses Sarah L.K. Lange, Claire M. Eubanks, and Lisa M. Ferguson
18 • Affiliate Transactions: Spire STL Pipeline
19 ○ Spire witness Scott A. Weitzel

20 My silence regarding any issue should not be construed as an endorsement of, agreement
21 with, or consent to any party's filed position.

1 **II. RATE DESIGN AND CLASS COST OF SERVICE**

2 **Q. Did any party file a class cost of service study in this proceeding?**

3 A. No party filed a class cost of service study.

4 **Q. What has Staff proposed in terms of class allocation for the proposed increased revenue**
5 **requirement?**

6 A. Staff has proposed an equal percentage adjustment to each rate element of each rate schedule.

7 **Q. What is your response?**

8 A. Given the limited passage of time since rates went into effect from Spire's last general rate
9 case, I agree with Staff.

10 **Q. Did Staff provide any further recommendations in regards to future class cost of service**
11 **studies?**

12 A. Yes. Staff witness Ms. Lange recommended that Spire East and Spire West retain and develop
13 customer-level demand determinants and daily demand determinants for each class for future
14 studies. She also recommended that Spire update its plant and accounting records on its meters.

15 **Q. Do you agree with her recommendations regarding data related demand determinants?**

16 A. Yes. Parties would have needed daily demand data as an input for an accurate study and Spire
17 should be tracking this information based on representations made from Spire's last general
18 rate case.

19 **Q. What did Staff discover regarding meters and how does it impact rate design and cost**
20 **allocation?**

21 A. In her direct revenue requirement testimony, Ms. Lange identified 190,000 (24%) more meters
22 than customers. This is an extremely concerning discovery that calls into question the historic
23 record keeping of Spire. As it pertains to rate design, the excessive amount of non-serviceable
24 meters would most certainly have distorted any cost-justification of historical rate structures.
25 From a revenue requirement perspective, it means that customers are being overcharged

1 through overstated rate base. If left unaddressed, it will continue to distort just and reasonable
2 rates moving forward.

3 **Q. What did Ms. Lange recommend regarding record keeping of meters?**

4 A. Ms. Lange stated:

5 It is important that Spire Missouri retain (1) identification of the meter model, type, or
6 cost within a billing system, so that a customer charge could potentially vary with the
7 cost of size of meter installed, (2) identification of the meter model, type, or cost, by
8 rate code, so that costs can be assigned or more precisely allocated in future class cost
9 of service studies, and (3) association of the meter with rate codes or customers within
10 its billing system or some other system, so that aggregated data could be used to
11 establish class level coincident or system level coincident demand measurement. This
12 information will facilitate improvement of current ratemaking and billing practices,
13 and will be necessary for potential rate structure modernization.¹

14 **Q. Do you agree?**

15 A. Yes. However, I don't believe Ms. Lange went far enough as this discovery calls into question
16 the legitimacy of Spire East and West's record keeping regarding *all* of its historical assets. I
17 will speak at length about my concern and recommendation to rectify this glaring deficiency
18 in the Stranded Asset: Meters section of my testimony.

19 As it pertains to rate design and future class cost of service studies, I support Ms. Lange and
20 recommend that the Commission order the Company to demonstrate that they can provide this
21 accurate information to the Staff and OPC at least six months before it files its next general
22 rate case to ensure we do not find ourselves in the same position.

¹ Direct Testimony of Sarah L.K. Lange p. 13, 23-31

1 **Q. Did Consumer Council of Missouri make any recommendations regarding rate design?**

2 A. Yes. CCM witness Ms. Jacqueline A. Hutchinson recommends that both Spire East and West
3 reduce the residential customer charge “to \$15 for the purpose of reversing an inequitable rate
4 burden on the majority of Spire’s economically vulnerable customers.”²

5 **Q. Do you agree with Ms. Hutchinson that a high residential customer charge places
6 inequitable burden on economically vulnerable customers?**

7 A. In part. The empirical work I have seen on this topic suggests that all things being equal, low-
8 income residential gas customers generally suffer more from a higher customer charge and
9 would benefit from having greater control over their bills by placing a more pronounced
10 emphasis on the volumetric portion. However, there are no doubt low-income customers with
11 poorly insulated domiciles who would be comparatively worse off in especially cold winters
12 if the residential customer charge was lowered categorically.

13 **Q. What do you make of Ms. Hutchinson’s recommendation in light of the excess meter
14 issue raised by Ms. Lange?**

15 A. At face value, Ms. Hutchinson’s recommendation to lower the customer charge would have a
16 stronger cost-base rationale behind it as 190,000 excess meters would inflate costs recovered
17 through the customer charge.

18 **Q. What is your recommendation regarding the residential customer charge?**

19 A. I recommend a uniformed residential customer charge across Spire East and West set at \$20 in
20 the winter and \$15 in the summer. The introduction of seasonal residential customer charge
21 can be justified on public interest grounds in light of the many economic difficulties laid out in
22 Ms. Hutchinson’s testimony. It will also appease any concerns over high usage low-income
23 customers during especially harsh winters. A measured lowering of the residential charge is
24 also appropriate in light of the overstated customer charge cost allocation due to excessive
25 meters. Finally, a lower residential customer charge in the summer should also help incentivize
26 low-income customers to not drop off in the summer and thus benefit all customers.

² Direct Testimony of Jacqueline A. Hutchinson p. 11, 13-14

1 **III. LOW-INCOME PROGRAMS**

2 **Q. What was approved in Spire’s last general rate case regarding low-income programs and**
3 **customer fees?**

4 A. In Case No. GR-2021-0108 parties agreed to a variety of program changes including (but not
5 limited to):

- 6 • Expanding the program eligibility of the Payment Partner Program from 185% Federal
7 Poverty Level (“FPL”) to 200% FPL;
- 8 • Including a \$650K shareholder contribution to the Payment Partner Program which
9 raised the overall amount to \$2.3m (ratepayers contribute \$1.65m);
- 10 • The creation of a Critical Needs Program in line with the Maryland Critical Needs
11 Program; and
- 12 • The completion of an independent 3rd party study to assess the Company’s current
13 limited-income programs and analyze primary and secondary data with the intent to
14 make recommendations moving forward.

15 **Q. Have stakeholders moved forward with the Critical Needs Program?**

16 A. Yes. Spire has taken the lead on this initiative and has since been joined by Ameren Missouri,
17 Liberty Utilities, and the United Way of St. Louis and Springfield Missouri along with other
18 stakeholders (Consumer Council, Legal Services of Easter Missouri, Staff, OPC, etc...). As
19 it stands, the collaborative group of utilities and various stakeholders hope to have a soft
20 launch in December of 2022 in the St. Louis area with a wider deployment in the first quarter
21 of 2023. I am confident in the direction, partnerships and overall foundation of the program
22 and have no further recommendations on this program at the moment.

23 **Q. Did Spire conduct an independent 3rd party study as outlined in the stipulation and**
24 **agreement you referenced?**

25 A. Yes. Spire’s 3rd party consultant, Empower Dataworks, completed a draft of the 2022 Spire
26 Energy Burden Assessment last week. However, stakeholders were just given a copy of that
27 presentation yesterday. Additionally, I have not been allowed access to the data underlying

1 the study. As such, I will update the Commission with the results of that study and any
2 amended recommendations over Spire's low-income programs in my surrebuttal testimony.

3 **Q. Ms. Hutchinson presents compelling empirical data that many customers are struggling**
4 **with gas affordability and increased energy burden in light of heightened inflation and**
5 **a looming recession. What recommendations has Ms. Hutchinson provided?**

6 A. Ms. Hutchinson recommends the elimination of late fees as well as the elimination of a
7 reconnection and collection trip charges. She also recommends to increase the income limit for
8 Spire's Affordability/Payment Partner Program to 300% of the federal poverty level and
9 increase funding by \$1.2 million.

10 **Q. Do you support the elimination of reconnection and collection trip charges?**

11 A. I do not support the elimination of reconnection and collection trip charges at this time.
12 Reconnection and collection trip charges are necessary actions for a utility in its cost of service.

13 **Q. Do you support the elimination of late fees?**

14 A. I do not support the elimination of a late fee. Rather, I recommend that the Commission order
15 Spire to modify its late fee charge to 0.25% to reflect its actual cost of service.

16 **Q. What is the basis for your recommendation to modify Spire's late fees?**

17 A. From a policy perspective, I have not seen any evidence to support that late payment fees are
18 an appropriate deterrent to non-payment. I also believe that any additional fee added to an
19 already financially struggling customer will increase the likelihood of disconnection. Finally,
20 I believe the threat of disconnection is the primary deterrent to incentivize timely payments,
21 and that Spire should be doing everything in its power to provide an affordable service, which
22 should include minimizing punitive charges that make it more likely for already struggling
23 customers to fall off.

24 Equally as relevant, my recommendation is consistent with Commission approved customer
25 late fee charges for Ameren Missouri, Liberty Utilities, Evergy Missouri Metro and Evergy
26 Missouri West. Each of which charges a 0.25% penalty to reflect the actual costs incurred to
27 the utility.

1 **Q. Do you support Ms. Hutchinson’s recommendation to expand the eligibility and budget**
2 **of Spire’s Affordability Program?**

3 A. In part. As stated earlier, a further review of the Spire 2022 Energy Burden Assessment is
4 necessary, but I can offer some preliminary recommendations that I would make in light of
5 Ms. Hutchinson’s testimony.

6 On the topic of expanded eligibility, I understand the rationale for expanding the program
7 given the various economic volatility experienced by Spire’s customers in the past few years
8 (two consecutive rate increases, Storm Uri fuel costs, COVID-19, record inflation, etc...). As
9 it stands, I am not in support of raising the threshold from 200% to 300% FPL. For reference,
10 a family of four making under \$83,250 would be eligible for Payment Partner financial
11 assistance. This seems excessive. Moreover, we just expanded the program eligibility from 185
12 to 200% less than a year ago. I would like to see a full year’s worth of results before we modify
13 eligibility that much.

14 I do agree with Ms. Hutchinson that the Payment Partner Program warrants an increase in
15 funding in light of her data and the overall downturn in the U.S. economy. I recommend a \$1M
16 increase in funding but believe this funding should be borne entirely by shareholders.
17 Presently, ratepayers contribute \$1.65M and shareholders \$650K. A 50/50 equal contribution
18 would be consistent with every other major utility in Missouri and be a prudent managerial and
19 public relations decision in light of the likely rate shock this case and the increase cost of natural
20 gas will likely have on many customers this winter.

21 **IV. STRANDED ASSETS**

22 **Stranded Assets: Meters**

23 **Q. What did Staff recommend in regards to the stranded meters?**

24 A. Staff witness Ms. Eubanks recommends that the Commission disallow the recovery of 7.5%
25 of the smart meter account and 8.9% of the associated smart meter installation costs that
26 occurred from June 1, 2001 to May 31, 2022. This represents the percentage of meter

1 installations that resulted in diaphragm meters less than 10 years old and meters where Spire
2 did not have documentation of the age being replaced by an ultrasonic meter.

3 **Q. Is this consistent with what the Commission ordered in Spire's last general rate case?**

4 A. Yes. This recommendation is consistent with the Commission order in Spire's last general rate
5 case, GR-2021-0108.

6 **Q. Is this how the adjustment should be implemented?**

7 A. I don't believe so. Staff and OPC agree with a disallowance of meters that were prematurely
8 retired. The critical problem here is that it is not possible to disallow the retired meters under
9 the existing depreciation framework which utilizes what is known as mass asset accounting.
10 Staff's answer to this quandary is to disallow a portion of the new meters. This seems contrary
11 to what the Commission's position was in allowing the ultrasonic meters into rates and presents
12 future depreciation problems as addressed by OPC witness John A. Robinett.

13 **Q. How should Staff approach this adjustment?**

14 A. First, if the Commission chose to implement this kind of adjustment it should order Spire to
15 end the process of mass asset accounting on diaphragm meters and treat the retirements on an
16 individual basis moving forward. The Company should only retire the theoretical accrued
17 depreciation reserve associated with that specific asset. Importantly, this will not result in any
18 reduction to the Company's revenue requirement in this case but will go a long ways to
19 rectifying this issue moving forward. Second, the Commission should disallow a certain
20 percentage of the return on investment for the new ultrasonic meters and associated ultrasonic
21 meter installations until such time as the existing diaphragm meters have been fully retired to
22 prevent customers from paying for two meters and shareholders earning a profit off of two
23 meters at the same time.

24 **Q. What percentage of return on investment of ultrasonic meters and capitalized meter
25 installation costs should be disallowed?**

26 A. Under that premise, and consistent with my direct testimony, I would recommend the
27 Commission adopt one of these three options:

- 1 1. Disallow return on investment for new ultrasonic meters equal to the percentage of
2 diaphragm meters that were removed with less than 30 years in service
3 a. 5-years less than the Company's depreciation schedule;
- 4 2. Disallow return on investment for new ultrasonic meters equal to the percentage of
5 diaphragm meters that were removed with less than 18.8 years in service for Spire East
6 and 22.2 years for Spire West
7 a. The average useful life identified by Spire witness Rieske; or
- 8 3. Disallow return on investment for new ultrasonic meters equal to the percentage of
9 diaphragm meters that were removed with less than 10 years in service
10 a. Consistent with the Commission's order in Spire's most recent rate case

11 **Q. Isn't Staff's proposed implementation better for ratepayers?**

12 A. Staff's proposed implementation will result in a larger revenue requirement reduction;
13 however, Staff's proposal fails to address the stranded asset problem and potentially creates a
14 new future scenario where you have more plant in service than Spire would have on its books.
15 The aforementioned modification attempts to solve both problems. The initial recommendation
16 for the Commission to order Spire to end the process of mass asset accounting on diaphragm
17 meters and treat the retirements on an individual basis moving forward addresses the stranded
18 asset problem. The second recommendation acknowledges the imprudence without creating a
19 new problem where there are more meters in service than on the books.

20 **Q. Is this OPC's recommendation?**

21 A. No. What I have presented here is the best way to implement a disallowance consistent with
22 what was ordered in the last rate case. However, a more complete resolution of this issue is
23 articulated in the rebuttal testimony of OPC witness John A. Robinett and represents OPC's
24 primary recommendation in this rate case.

1 **Stranded Assets: Company-Wide Audit**

2 **Q. Earlier you stated that Staff discovered an excess of 190,000 meters in Spire’s revenue**
3 **requirement with incomplete records. Do you have any recommendations to the**
4 **Commission on this topic?**

5 A. Yes. Meters, both diaphragm and ultrasonic, were a critical issue in Spire’s last rate case. Even
6 though Spire failed to write direct testimony on this topic in its case in chief, it should have
7 come as no surprise that greater scrutiny would be placed by parties on these assets in its next
8 rate case. The lack of information is extremely troubling and demands greater attention than
9 what can reasonably be conducted within the timeframe of this rate case.

10 **Q. What is your recommendation?**

11 A. I recommend that Spire conduct an asset-based audit over the entirety of Spire East and West’s
12 books to remove plant-in-service that is no longer used and useful. Stated differently, the
13 Company needs to conduct an inventory of its assets to determine if they still exist and are
14 operational. The Commission should order Spire to conduct an internal audit, subject to review
15 by Staff and OPC and then file a comprehensive report in this rate case within six months that
16 details by account and jurisdiction all capitalized assets that they were unable to verify and
17 need to be retired.

18 **V. AFFILIATE TRANSACTIONS: SPIRE STL PIPELINE**

19 **Q. In direct testimony Spire witness Scott A. Weitzel states that the Company’s approach to**
20 **this rate case does not prohibit any party from raising an issue regarding any of the**
21 **revenue requirement or rate base elements that are not being trued up. Did you raise**
22 **any issues regarding rate base elements in direct testimony?**

23 A. Yes. I raised my objection to Spire’s self-imposed stranded assets—the diaphragm meters and
24 an overall concern about improper allocation of affiliate transactions with specific emphasis
25 on the Spire STL Pipeline.

1 **Q. In direct testimony did you state that you would file updated recommendations on either**
2 **of these issues?**

3 A. I did. At the time I was still awaiting discovery over affiliate transactions and did not provide
4 a tangible recommendation beyond my overall concern. Since that testimony new information
5 has been provided which I will present now with my recommendations.

6 **Q. What are your concerns as it relates to affiliate transactions and specifically about the**
7 **Spire STL Pipeline?**

8 A. My primary concern rests on Spire's inability to properly book direct costs through its Cost
9 Allocation Manual ("CAM") annual filings. OPC has historically been vocal about Spire's
10 inability to transparently demonstrate they are booking both direct and indirect costs across its
11 affiliates in a proper manner. The subsequent fallout of increased media/marketing, legal,
12 board of directors, and other related costs associated with the Spire STL Pipeline were clearly
13 a focal point for Spire management as the pipeline's closure represented a potential existential
14 crisis for the Company.³ Based on the discovery provided to me by Spire I believe that Spire's

³ Ariza, M. (2022) The \$287 million pipeline no one needed? How Spire's ambitions almost left St. Louis without heat. *The Intercept*. <https://theintercept.com/2022/04/27/pipeline-spire-missouri-gas-renewable-energy/>

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1 shared service model is inappropriately billing regulated customers too much for its non-
2 regulated services.

3 **Q. What evidence do you have that Spire is overly dependent on using its general 3-factor**
4 **allocator in charging for its service?**

5 A. I issued OPC-DR 2006 thru OPC-DR 2009 requesting a breakdown of the costs directly
6 allocated on the basis of actual tracked time versus time indirectly allocated during the twelve
7 months of the test year for each of Spire Missouri's officers, Spire Missouri's legal department,
8 Spire Missouri's external affairs, and Spire Missouri's communications and marketing. I
9 believed these departments would provide a good litmus test for how well Spire was directly
10 or indirectly allocating its tracked time relative to an outlier affiliate such as Spire STL
11 Pipeline. The results suggest that Spire just does not directly allocate its actual tracked time.

12 ** _____
13 _____
14 _____
15 _____
16 _____
17 _____
18 _____

19 **Q.** _____

20 A. _____
21 _____
22 _____
23 _____
24 _____
25 _____

⁴ See GM-1

1 _____ ** Spire is not “out this money” rather
2 they need to collect it from its other services. This adjustment should serve as a warning to
3 Spire Missouri that it needs to keep accurate records and it should assign both time and cost as
4 accurately as possible as the Commission’s rules direct. Continued failure to directly assign
5 costs should result in more pronounced regulatory responses.

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

7 A. Yes.

⁵ See GM-2

**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 in the Company's Missouri)
Service Areas)

Case No. GR-2022-0179

AFFIDAVIT OF GEOFF MARKE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Geoff Marke, of lawful age and being first duly sworn, deposes and states:

1. My name is Geoff Marke. I am a Chief Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal 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.



Geoff Marke
Chief Economist

Subscribed and sworn to me this 7th day of October 2022.



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



Tiffany Hildebrand
Notary Public

My commission expires August 8, 2023.