

Exhibit No:
Issue: Spire On-Bill Financing Cost
Recovery Mechanism
Witness: Wesley E. Selinger
Type of Exhibit: Supplemental Direct Testimony
Sponsoring Party: Spire Missouri Inc.
Case Nos.: GO-2021-0126

Date Prepared: January 25, 2021

SPIRE MISSOURI, INC.

File No. GO-2021-0126

SUPPLEMENTAL DIRECT TESTIMONY

OF

WESLEY E. SELINGER

SUPPLEMENTAL DIRECT TESTIMONY OF WESLEY E. SELINGER

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

2 A. My name is Wesley E. Selinger and my business address is 700 Market St., St. Louis,
3 Missouri, 63101.

4 **Q. ARE YOU THE SAME WESLEY E. SELINGER THAT FILED DIRECT**
5 **TESTIMONY IN THIS CASE ON OCTOBER 30, 2020?**

6 A. Yes. I am.

7 **I. PURPOSE OF TESTIMONY**

8 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

9 A. The purpose of my supplemental direct testimony is to clarify certain elements of the
10 Company's proposed on-bill financing program's cost recovery mechanism.

11 **II. COST RECOVERY MECHANISM**

12 **Q. PLEASE CLARIFY HOW SPIRE PROPOSES TO RECOVER THE COSTS OF**
13 **ITS ON-BILL FINANCING PROGRAM (THE "PROGRAM")?**

14 A. The costs of the Program will be recovered from two sources. In general, the customers
15 at the properties receiving the upgraded, energy efficient measures will pay for the cost of
16 the measures plus a 4% interest charge. The remaining costs, including the difference
17 between the interest charge and the Company's approved cost of capital from its most
18 recent rate case, a tax gross-up and other associated charges such as property taxes, O&M
19 and program administrative charges will be recovered from all Residential customers.
20 Spire refers to this latter charge as its cost recovery mechanism.

21
22 **Q. IS SPIRE FILING A COST RECOVERY TARIFF AS PART OF ITS PROGRAM?**

1 A. Yes. Attached to my direct testimony in this case was a specimen cost recovery tariff
2 sheet. Spire is adding the cost recovery tariff to the Program tariff in order to have all
3 Program-related tariff language in one place.

4 **Q. WHEN DOES SPIRE ANTICIPATE MAKING A FILING UNDER THE COST**
5 **RECOVERY MECHANISM?**

6 A. In terms of timing, if the Company's proposed Program is approved, the Company
7 believes it will require some time to stand up the Program and would anticipate an
8 October 1, 2021 program launch. This, combined with the time required for investments
9 to be made and accumulated for recovery, means the Company would not expect to make
10 a cost recovery mechanism filing for some time.

11 **Q. WHY DIDN'T THE COMPANY FILE THE COST RECOVERY LANGUAGE**
12 **ALONG WITH THE PROGRAM TARIFF?**

13 A. Originally, the Company was unclear on whether or not a cost recovery mechanism tariff
14 would be approved in this proceeding. After some discussion with the other parties,
15 however, the Company believes the cost recovery mechanism should be approved in this
16 case along with the Program details. Attached as Schedule WES-SD1 is Spire's proposed
17 on-bill financing program and cost recovery mechanism tariff sheet.

18 **Q. HOW WILL THE PROGRAM TARIFF AND COST RECOVERY TARIFF**
19 **WORK TOGETHER?**

20 A. The Program tariff will provide details around the terms and conditions associated with
21 the Program. This tariff also explains the participant responsibilities including the terms
22 of the on-bill charge the participant will incur. The cost recovery mechanism will recover
23 the remaining costs of the Program not recovered through the participant charge.

1 **Q. WHAT COSTS WILL BE RECOVERED THROUGH THE COST RECOVERY**
2 **MECHANISM?**

3 A. As described in my direct testimony, the participant on-bill charge will include the
4 payback of the investment principal according to the terms of the program, similar to the
5 provisions of a Pay As You Save ® (“PAY S”) program, along with a 4% interest charge.
6 The cost recovery mechanism will recover a portion of the Company’s financing costs by
7 applying the difference between the Company’s currently approved weighted average
8 cost of capital and the 4% interest charge recovered through customer payments to net
9 program investments (i.e. total investments less participant on-bill payments). The cost
10 recovery mechanism will also recover additional costs associated with income taxes,
11 property taxes, O&M expenses, administrative costs and any other miscellaneous
12 charges.

13 **Q. IS SPIRE PROPOSING ALL ON-BILL FINANCING COSTS BE EXCLUDED**
14 **FROM BASE RATES?**

15 A. Yes. As described in my direct testimony, the Company is proposing to recognize all
16 investments, as well as, customer payments through the on-bill financing cost recovery
17 mechanism. During subsequent general rate cases, the Company will remove all revenue
18 and expenses related to the program from its test year.

19 **Q. IF A CUSTOMER LEAVES A PROPERTY AND ANOTHER CUSTOMER DOES**
20 **NOT BEGIN OCCUPYING THE LOCATION, WILL THE CHARGE IN THE**
21 **COST RECOVERY MECHANISM INCREASE?**

22 A. As designed, if a customer leaves a property, on-bill charges will stop until a new customer
23 occupies the premise. As the cost recovery mechanism recovers finance charges on net

1 investment amounts, if customer payments temporarily cease, the offset to gross
2 investment within the mechanism would be less than it would have been had payments
3 continued. However, the Company is proposing a program that would support thousands
4 of individual investments; therefore, the impact to the charge recovered in this scenario
5 would likely be immaterial.

6 **Q. HOW WILL THE COST RECOVERY MECHANISM CHARGE BE**
7 **STRUCTURED?**

8 A. The Company is proposing the cost recovery mechanism charge be assessed as a fixed
9 monthly charge per customer.

10 **Q. WILL THE COMPANY TRUE-UP REVENUES APPROVED FOR RECOVERY**
11 **THROUGH THE COST RECOVERY MECHANISM?**

12 A. Yes, the Company will perform an annual reconciliation of revenues approved for
13 recovery and revenues collected.

14 **Q. DOES THIS COMPLETE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

A. Yes.

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

In the Matter of the Application of Spire Missouri)
Inc. for approval to establish an On-Bill Financing) Case No. GO-2021-0126
Program and Cost Recovery Mechanism)

A F F I D A V I T

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

Wesley E. Selinger, of lawful age, being first duly sworn, deposes and states:

1. My name is Wesley E. Selinger. I am the Director, Rates and Regulatory Affairs at 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 my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Wesley E. Selinger
Wesley E. Selinger

Dated: January 25, 2021

P.S.C. MO. No. 7

Original

SHEET No. R-30.22

Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri East & West

RULES AND REGULATIONS

35. Conservation and Energy Efficiency Programs (continued)

M. Spire On-Bill Financing Program

Purpose: - The objective of the Spire On-Bill Financing Program ("the Program") is to expand opportunities for customer adoption of cost-effective energy efficiency measures through on-bill financing.

Definitions: -

Analysis – Initial Program visit, walk through and report, and customer education.

Assessment - Detailed home performance data collection, analysis of qualifying upgrades, preparation and one-on-one presentation of Program offer.

Company: Spire Missouri Inc., its successors and assigns.

Efficiency Upgrade Agreement – Agreement signed by Participants (who own the Property) defining Participant benefits and obligations, including Service Charges and duration of payments.

Energy Efficiency Plan ("Plan") – Prepared by Program Administrator to identify recommended upgrades ("measures").

Estimated Life - The expected duration in years of the savings for each individual measure.

Participant: An Owner or tenant of the Property who commits to the Program through execution of an Energy Efficiency Upgrade Agreement or Owners Agreement, as applicable, and any successor to such tenant or owner.

Property Notice – An encumbrance upon the Property filed in the county land records, outlining the benefits and obligations associated with the program measures. In jurisdictions in which the Program Administrator cannot file a Property Notice against the Property in the land records, and in any case where a subsequent tenant or Owner of the Property is executing a rental agreement or sales agreement for the Property, a new Property Notice must be signed by the successor tenant or owner indicating their acceptance of the benefits and obligations of the upgrades at the Property before the sale or rental of the Property may take place.

Owner Agreement - A separate required contract establishing the owner's obligations (if Participant does not own the Property).

Program Administrator – The entity retained by the Company to implement the Program. The Program Administrator will provide the necessary services to effectively implement the Program.

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ISSUED BY: Scott Weitzel, Managing Director, Regulatory & Legislative Affairs
Spire Missouri Inc., St. Louis, MO. 63101

P.S.C. MO. No. 7

Original

SHEET No. R-30.23

Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri East & West

RULES AND REGULATIONS

35. Conservation and Energy Efficiency Programs (continued)

M. Spire On-Bill Financing Program (continued)

Project – Scope of work determined by the Program based on Property characteristics, program data collection, and analysis.

Property – real estate in which Program upgrades/measures are installed.

Qualifying Project – Project scope of work meeting Program criteria (Project cost, including Program Partner pricing and Program fees, is equal to or less than 80% of the estimated post upgrade cost savings over 80% of the upgrade Estimated Life).

Service Charge – Monthly on-bill charge assigned to the Property recovering Program costs for upgrades/measures, fees, any required taxes, , and costs for Participant-caused repairs as described in section 4. All such Program costs are referred to herein as the “Principal.” The Service Charge shall also recover applicable interest on the Principal.

Availability: -The Program is available to Residential Spire customers receiving service under the Company's Residential Service Tariff, provided the Property qualifies as a Qualifying Project.

In order to qualify as a Participant, customers must either (a) own the Property or (b) the Property owner must sign an Owner Agreement agreeing to not remove or damage the upgrades, to maintain them, and to provide a Property Notice to the next owner or tenant prior to the sale or rental of the Property.

Projects that address upgrades to existing buildings deemed unlikely to be habitable or to serve their intended purpose for the duration of Company's cost recovery will not be approved unless repairs are made by the Property owner that will extend the life through the Company's cost recovery period. If a Property is a manufactured home, it must be built on a permanent foundation and fabricated after 1982 to be eligible.

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Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri East & West

RULES AND REGULATIONS

35. Conservation and Energy Efficiency Programs (continued)

M. Spire On-Bill Financing Program (continued)

Program Description:

1. Participation: To become a Participant in the Program, a customer must: 1) request from the Program Administrator an analysis of qualifying upgrades, 2) agree to the terms of the Analysis fee as described in section 3, and 3) sign the Efficiency Upgrade Agreement and implement any Qualifying Project that does not require an upfront payment from the Participant as described in section 2(c).

- a. The owner must agree to have a Property Notice filed in the county land records through either i) Owners Agreement if the Participant is not the owner, or ii) as part of the Efficiency Upgrade Agreement if the Participant is the owner.
- b. In jurisdictions in which the Company cannot file the Property Notice in the county land records, failure to obtain the signature of a successor tenant or owner of the Property, on a replacement Property Notice, will constitute the owner's acceptance of consequential damages and permission for a successor tenant or owner to break their lease or sales agreement without penalty.
- c. The Participant authorizes the use of energy usage history by the Program Administrator in order to true up its energy analysis and determine qualifying recommendations.

2. Energy Efficiency Plans: The Company will have its Program Administrator or Program Partner perform an assessment and prepare a Plan identifying recommended upgrades/measures to improve energy efficiency and lower energy costs.

- a. Incentive payment: The Company will offer incentives currently available for any eligible residential energy efficiency measure.
- b. Net Savings: Recommended upgrades/measures shall be limited to those where the annual Service Charge, including program fees and applicable interest, is no greater than 80% of the estimated annual savings to a Participant based on current retail rates for natural gas, and may include electric savings if the Program is co-delivered with an electric utility.
- c. Copay Option: In order to qualify a Project that does not meet the criteria for a Qualifying Project, Participants may agree to pay the portion of a Project's cost that prevents it from qualifying for the Program as an up-front payment to the Program Partner or Program Administrator. Company will assume no responsibility for such up-front payments to the Program Partner or Program Administrator. Copayments will be applied after applying relevant incentive payments as defined in 2(a).

3. Analysis fee: The Company will not recover Analysis fee costs from Participants through the Service Charge. Analysis fee costs will be treated as Program administrative costs.

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SHEET No. R-30.25

Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri East & West

RULES AND REGULATIONS

35. Conservation and Energy Efficiency Programs (continued)

M. Spire On-Bill Financing Program (continued)

4. Program Participant Service Charge: The Company will recover the Principal, plus interest at 4% annually, through the Service Charge assigned to the Property. Such Service Charge shall be paid by the Participant or a successor occupying the Property until the Principal and interest have been fully recovered. The Service Charge will also be set for a duration not to exceed the greater of i) the length of a full parts and labor warranty or ii) 80 percent (80%) of the Estimated Life of the upgrades, and in no case longer than twelve years. The Service Charge and duration of payments will be included in the Efficiency Upgrade Agreement.

- a. Cost Recovery: No sooner than 45 days after approval by the Company or its Program Administrator, the Participant shall be billed the monthly Service Charge as determined by the Program. The Company will bill and collect the Service Charge until cost recovery is complete except in cases discussed in section 4. Prepayment of Service Charges will not be permitted.
- b. Eligible Upgrades/Measures: All upgrades/measures must have Energy Star certification, if applicable.
- c. Ownership of Upgrades/Measures: During the period of time when the Service Charge is billed to Participants at the Property, the Company will retain ownership of the installed upgrades/measures. Upon completion of the cost recovery, ownership will be transferred to the Property owner.
- d. Maintenance of Upgrades/Measures: Participants and Property owners (if the Participant is not the Property owner) shall keep the installed upgrades in place, in working order, and maintained per manufacturer's instructions for the duration of the cost recovery. Participants shall report the failure of the installed upgrades to the Program Administrator or Company as soon as possible. If an upgrade fails, the Company is responsible for determining its cause and for making reasonable efforts to repair the upgrade/measure in a timely manner. If the Property owner, Participant, or Property occupants caused the damage to the installed upgrades/measures, they will reimburse the Company as described in this section 4.
- e. Termination of Service Charge: Once the Company's cost recovery is complete, Company will discontinue the Service Charge, except as described in sections 4(g) and 4(k).
- g. Vacancy: If a location at which upgrades/measures have been installed becomes vacant for any reason and natural gas service is disconnected, the Service Charge will be suspended until a successor Participant takes occupancy. If a Property owner maintains natural gas service at the Property, the Property owner will be billed the Service Charge as part of any charges incurs while natural gas service is active.

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SHEET No. R-30.26

Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri East & West

RULES AND REGULATIONS

35. Conservation and Energy Efficiency Programs (continued)

M. Spire On-Bill Financing Program (continued)

- h. Extension of Service Charge: If the monthly Service Charge is reduced or suspended for any reason, once repairs have been successfully effected or service reconnected, the number of total monthly payments shall be extended until the total collected through the Service Charge is equal to the Company's Principal and interest as described in section 4, including costs associated with repairs, deferred payments, and missed payments as long as the Participant is still benefiting from the upgrades.
- i. Tied to the Location: Until cost recovery for upgrades at the Property is complete or the upgrades fail as described in section 4(l), the terms of this tariff shall be binding on the Property and any future Participant who receives service at the Property.
- j. Disconnection for Non-Payment: As a charge paid in furtherance of an approved energy efficiency program, the Company may disconnect natural gas service to the Property for non-payment of the Service Charge under the same provisions as for any other natural gas service.
- k. Confirm Savings Actually Exceeded Tariffed-Charge: Program Administrator will perform an annual analysis to evaluate weather-normalized 12-month post-upgrade Project cost savings and confirm that the Service Charge remains lower than estimated Project cost savings. In the event that analysis indicates that the Service Charge exceeds the estimated Project cost savings due to inaccurate saving estimates, the Service Charge may be reduced or eliminated to the extent needed in order for the Participant to realize Project savings.
- l. Repairs: Should, at any future time during the billing of the Service Charge, the Company determine that the installed upgrades/measures are no longer functioning as intended and that the occupant or Property owner, as applicable, did not damage or fail to maintain the installed upgrades, the Company shall reduce or suspend the Service Charge until such time as the Company and/or its Program Partner can repair the upgrades/measures. If the upgrades/measures cannot be repaired or replaced cost effectively, the Company will waive remaining Service Charges. If the Company determines, in its sole discretion, that the Participant, Property occupants or Property owner, as applicable, did damage or failed to maintain the upgrades/measures in place as described in section 4(d), it shall attempt to recover all costs associated with the installation, including any fees, incentives paid to lower Project costs, and legal fees. The Service Charge will continue until Company's cost recovery is complete as long as the upgrades/measures continue to function. Company will not guarantee perfect operation of installed upgrades/measures in every circumstance, and any suspension or waiver of unbilled Service Charges shall not entitle the Participant or Property owner to any refund or cancellation of previously billed Service Charges.

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SHEET No. R-30.27

Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri East and West

RULES AND REGULATIONS

Spire On-Bill Financing Program Residential charge

Description: The Program Residential Charge is a monthly charge designed to recover all Program costs not otherwise recovered through the Participant Service Charge. Costs shall include financing costs equal to the Company's current weighted average cost of capital, income taxes, property taxes, operating expenses, and administrative expenses.

Applicability: In addition to the other charges provided for in the Company's tariff, a monthly Program Residential Charge shall be added to each Residential customer's bill for service rendered on and after the effective date of this tariff or the date contained in a Commission order approving the previous Program Residential Charge, as applicable.

Schedule of Surcharges: The amount of the On-Bill Financing Program Residential Charge is as follows:

Residential Service (RG)	\$ 0.00
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