Exhibit No:	
Issue:	**Revenue Requirement, Expense Adjustments, Capital Structure, Cost of Service, Rate Design, Weather/Conservation Tariff, Multifamily Pilot Program, Renewable Natural Gas Options**
Witness:	**Wesley E. Selinger**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Spire Missouri Inc.**
Case No.:	**GR-2021-0108**
Date Prepared:	**December 11, 2020**

SPIRE MISSOURI INC.

CASE NO. GR-2021-0108

DIRECT TESTIMONY

OF

WESLEY E. SELINGER

DECEMBER 11, 2020

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DIRECT TESTIMONY OF WESLEY E. SELINGER

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. WHAT IS YOUR PRESENT POSITION?

A. I am presently employed as Director, Rates and Regulatory Affairs at Spire Missouri Inc. ("Spire" or the "Company").

Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.

A. I have been in my present position since November 2020. In my current position, I am responsible for managing rate and regulatory matters, as well as the rate/regulatory planning and research functions of Spire. As part of my duties, I am responsible for the research, assessment, development, and implementation of Spire's rate/regulatory initiatives. I am also responsible for advancing those initiatives in the applicable regulatory forum.

Q. WHAT WAS YOUR EXPERIENCE PRIOR TO ASSUMING YOUR CURRENT POSITION?

A. I joined Spire in September 2017 as Manager, Rates and Planning. Prior to joining Spire, from June 2012 through September 2013, I was employed by the Center for Business and Regulation at the University of Illinois – Springfield as an assistant to the Director of that organization. In that role, I assisted in research on regulatory issues and worked with stakeholders from public and private sector groups concerning regulatory issues. From September 2013 to August 2015, I was employed by Vectren Corporation, an electric and

natural gas combination utility located in Evansville, Indiana as a Rates Analyst in the Company's Rates and Regulatory Department. In this role, I managed several of the Company's rate adjustment filings, including but not limited to, the Fuel Adjustment Clause and Pipeline Safety Adjustment. I also performed regulatory research and participated in the evaluation and development of the Company's regulatory initiatives. From August 2015 until joining Spire I was employed by Vectren Corporation as a Senior Regulatory Policy Analyst. In that role, I participated in the evaluation and development of the Company's strategic approach to regulatory and legislative developments and initiatives, communicating results and feedback to the Company's executive leadership and implementing those initiatives in the appropriate regulatory venue.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated from the University of Illinois – Springfield in 2013 with a Bachelor's degree in Economics with a minor in Accounting. I also earned a Master's Degree in Public Administration from the University of Illinois – Springfield, in 2016.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?

A. Yes. I provided testimony in Case Nos. GO-2019-0115, GO-2019-0116, GO-2019-0356, GO-2019-0357, GO-2020-0229, GO-2020-0230, and GO-2021-0126.

I. PURPOSE OF DIRECT TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE PROCEEDINGS?

A. The purpose of my testimony is to support Spire's request to update its rates and charges, as well as explain certain key rate adjustments and programs. First, I will address Spire's revenue requirement or revenue deficiency. In order to continue to provide safe and reliable natural gas service to our customers, Spire is requesting a gross revenue increase of $111.5 million. However, this amount is offset by the $47.3 million in Infrastructure System Replacement Surcharge ("ISRS") revenues the Company is already collecting, making Spire's net incremental revenue increase $64.2 million. Spire's revenue deficiency is supported by Schedule WES-1, which consists of sub-schedules A through H, which are attached to this testimony.

In addition to the revenue requirement, I will be sponsoring most of the adjustments made to the Company's test year ending September 30, 2020 as updated for any known and measurable changes that support the revenue deficiency. I will also describe the approach used to design the Company's proposed distribution rates including: (a) a brief description of the current and proposed rates and rate classes for Spire; (b) development of the allocated Cost of Service Study ("COSS") for Spire; and (c) development of the proposed revenue targets, rate design, and bill impact analysis for each rate class for Spire. My testimony will sponsor Spire's pro-forma capital structure and describe Spire's proposed Rate Normalization Adjustment. I will also sponsor testimony supporting the Company's proposed Multifamily Pilot program and proposed renewable natural gas options.

Q. WHEN DID SPIRE LAST FILE FOR A GENERAL RATE INCREASE?

A. Spire filed its most recent rate case on April 11, 2017. Spire's current rates were approved by the Missouri Public Service Commission ("the Commission") on March 7, 2018.

Q. IN GENERAL, PLEASE EXPLAIN SPIRE'S RATE RELIEF REQUEST.

A. Since the true-up date of Spire's most recent general rate case, the Company has invested over $850 million towards enhancing its system infrastructure. This capital deployment is the primary driver for Spire's rate relief request. Spire's net rate base has increased by approximately $750 million since its last rate case. As shown in the table below, the return on and of this investment accounts for 97.16% of the Company's requested increase. Spire has been consistent in its approach to financing its operations and has prudently managed its cost of capital. The overall rate of return Spire is proposing in this case is .03% higher than what was approved by the Commission in its last rate case. Since Spire's last rate case, operation and maintenance ("O&M") expenses have increased at a compound annual growth rate of 0.65%. As shown in the table below, the Company's cost of capital and O&M increase, when combined with changes to taxes and revenues, accounts for less than 2% of the Company's rate relief request.

Rate Base Related Increase	**$**	**108.31**	**97.16%**
O&M, Tax, and Revenues	**$**	**2.94**	**2.64%**
Cost of Capital	**$**	**0.22**	**0.20%**

*In Millions

While a significant portion of these investments have been recognized in rates through Spire's ISRS mechanism, the remaining investment is substantial and, without rate recognition, Spire's ability to earn its authorized rate of return is significantly limited.

II. SPIRE'S REVENUE DEFICIENCY

Q. WHAT IS THE TEST YEAR USED TO DEVELOP THE REVENUE REQUIREMENT FOR SPIRE?

A. Spire's proposed test year is the twelve months ending September 30, 2020, adjusted for known and measurable changes.

Q. WILL SPIRE BE REQUESTING THAT THE TEST YEAR BE UPDATED AND/OR "TRUED-UP"?

A. Yes. Spire is requesting the test year be updated or trued-up through May 31, 2021. This is consistent with the process used in prior Spire rate cases. This approach will provide a relatively current time period of actual cost experience on which to base rates, while at the same time providing an opportunity for the Commission Staff and other parties to audit this actual cost experience.

Q. HAS THE COVID-19 PANDEMIC IMPACTED THE COMPANY'S TEST YEAR?

A. Yes, it has. In response to the COVID-19 pandemic, the Company acted swiftly in March of 2020 to suspend disconnections and waive late payment fees on delinquent balances. These measures were necessary and were the right thing to do for our customers during a situation as severe as the COVID-19 pandemic. In Case No. GU-2020-0376, the parties reached an agreement that would create customer assistance programs addressing customer arrearages related to the pandemic. This agreement also allowed Spire to track and/or defer to a regulatory asset, revenues lost associated with the Company's actions, as well as additional costs related to the pandemic, such as needed protective equipment and offsetting cost reductions, such as reduced travel expenses. These deferrals, to the extent they are known, occurred during the test year and will be addressed as part of this rate case. As explained below, Schedule WES-1 reflects an adjustment to amortization expense related to the deferral agreed to in the Unanimous Stipulation and Agreement and approved by the Commission in that case.

Q. WHAT ITEMS DOES SPIRE PROPOSE TO UPDATE IN ITS "TRUE-UP?"

A. Spire will update all components of the filing including capital structure, components of rate base, and revenue and expense items and adjustments. We believe this update through May 31, 2021 is sufficient to establish a reasonable and representative cost of service.

Q. PLEASE EXPLAIN SCHEDULE WES-1 ATTACHED TO YOUR TESTIMONY.

A. Schedule WES-1 details Spire's revenue requirement/revenue deficiency for the test year ended September 30, 2020. The schedule details rate base, rate of return, required net operating income, adjusted net operating income, an estimate of the May 31, 2021 update on revenue requirement and, finally, the revenue deficiency. Schedule A summarizes Spire's revenue deficiency at September 30, 2020, as adjusted for known and measurable changes. The total revenue deficiency shown on Schedule A is $111.5 million. As explained above, the required increase in revenue includes $47.3 million of ISRS revenues that are currently being collected by the Company resulting in a net revenue increase of $64.2 million.

Q. PLEASE SUMMARIZE THE DIFFERENT SUB-SCHEDULES OF SCHEDULE WES-1 ATTACHED TO YOUR DIRECT TESTIMONY.

A. Schedule WES-1 contains the Accounting Schedules supporting the requested rate increase for Spire Missouri.

Schedule A summarizes Spire Missouri's revenue deficiency at September 30, 2020.

Schedule B summarizes and supports the various rate base items and offsets.

Schedule C summarizes and supports plant in service.

Schedule D summarizes and supports reserve for depreciation.

Schedule E summarizes and supports the various working capital components and other regulatory assets.

Schedule F summarizes the capital structure and rate of return.

Schedule H summarizes and supports the operating income statement & adjustments.

Appendix A attached to this testimony provides additional detailed information regarding the components underlying sub-schedules A through F.

III. CAPITAL STRUCTURE

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CAPITAL STRUCTURE.

A. Sub-schedule F of WES-1 details the elements of Spire's capital structure and calculates certain embedded costs for the various kinds of capital used to finance the company's provision of utility service. Spire's capital structure as of September 30, 2020 consisted of 56.79% common equity and 43.21% long-term debt. The Company has made a pro-forma adjustment to its capital structure to account for the Company's planned long-term debt issuance in April/May 2021. Sub-schedule F contains the adjusted two-component capital structure and the resultant weighted average cost of capital. Short-term debt was not included in the capital structure because the average level of construction work in progress, margin calls on our multi-year hedging program, and deferred gas costs subject to Purchase Gas Adjustment ("PGA") carrying costs (none of which are proposed to be included in base rates) exceeds the average level of short-term debt outstanding during the test year after taking into consideration the forward placement of approximately $225 to 250 million

of long-term debt instruments that are scheduled to be funded at any point on or before May 31, 2021 as mentioned above.

Q. HAS SPIRE'S CAPITAL STRUCTURE MATERIALLY DEVIATED FROM THE COMMISSION APPROVED CAPITAL STRUCTURE IN THE COMPANY'S LAST RATE CASE?

A. No. The Company's proposed capital structure produces an overall rate of return that is just .03% greater than the approved rate of return in the Company's most recent rate case.

Q. HAS THE COMPANY'S CAPITAL STRUCTURE CHANGED MATERIALLY OVER TIME?

A. No, it has not. In Spire's 2013 general rate case, the parties entered into a stipulation and agreement resolving all issues including capital structure. Within that stipulation, the parties agreed to a capital structure consisting of 45% long term debt and 55% equity with the added provision that for the period immediately following approval of the Company's acquisition of Missouri Gas Energy the capital structure would be limited to 53% equity. In Spire's 2017 general rate proceeding, the Commission approved Spire Missouri's capital structure consisting of 54.16% equity and 45.84% long term debt.

Q. WHAT CONCLUSION CAN BE DRAWN FROM THIS DATA?

A. Spire's approved capital structure has remained consistent for years. This consistency has guided the Company's capital structure proposal in the present case. The Company was forthcoming with the Staff and the Office of the Public Counsel ("OPC") during our recent

financing authority case on our capital structure/financing plans, all with the goal of agreeably resolving what can often be a contentious rate case issue.

Q. ARE YOU REQUESTING THESE CAPITAL STRUCTURE COMPONENTS BE UPDATED THROUGH MAY 31, 2021?

A. Yes. As described above, the Company has made a pro-forma adjustment to its capital structure to reflect its planned long-term debt issuance; however, the Company is requesting an update of all elements of the capital structure at the proposed May 31, 2021 true-up date.

IV. OPERATING INCOME ADJUSTMENTS

Q. PLEASE DESCRIBE THE ADJUSTMENTS TO OPERATING INCOME THAT YOU ARE SPONSORING ON SUB-SCHEDULE H.

A. As described above, this case is primarily driven by the Company's recent capital investment and not increases to operating expenses. That said, it is appropriate to normalize test year expenses included in the cost of service; therefore, certain adjustments have been made to operating income for this purpose. Sub-schedule H of WES-1 consists of 20 sub-schedules and details all of the operating income adjustments made to Spire's cost of service. The first two pages of sub-schedule H detail the operating income statement summarized by the uniform system of accounts. It shows the test year balances at September 30, 2020, a summary of the pro forma adjustments to each account, and finally the adjusted balance at September 30, 2020. The next four pages detail each adjustment individually by FERC account number.

Schedule H-1 is the detail of test year revenue after backing out purchased gas adjustment revenue, gross receipts taxes billed, weather normalization adjustment rider revenue, off-

system sales and finally ISRS revenues collected during the test year, while Schedule H-2 summarizes the revenue adjustments proposed by Spire.

Q. ARE YOU SPONSORING THE REVENUE ADJUSTMENTS DETAILED ON SCHEDULE H-2?

A. Spire witness Alicia Mueller will provide direct testimony on the other revenue adjustments detailed in Schedule H-2. In general, these adjustments have been made to adjust Spire's operating income to reflect normal and/or ongoing operating conditions related to weather, customer rate switching, customer revenue annualization, and reduced disconnection and late payment fees. These adjustments are typical of adjustments made during a general rate case and ensure that rates, to the best ability possible given some assumed level of regulatory lag, reflect the conditions present during the period in which they are in effect.

Q. PLEASE EXPLAIN SCHEDULE H-3.

A. Schedule H-3, also sponsored by Spire witness Mueller, removes purchased gas costs from the operating income statement along with costs associated with off-system sales and gross receipts tax expense. These expenses should be removed from the cost of service as purchased gas costs are recovered through the PGA mechanism, not base rates, and gross receipts taxes are simply pass through taxes.

Q. PLEASE EXPLAIN THE PAYROLL RELATED ADJUSTMENTS.

A. The payroll adjustment is detailed on Schedule H-4 while the associated adjustments to the Company's match to employee 401K contributions and payroll taxes are detailed on Schedules H-5 and H-6. The first part of the adjustment annualizes payroll based on the actual September 30, 2020 employee levels and pay rates, and includes adjustments for

overtime worked based on actual overtime hours and proforma pay rates, and payouts under the Annual Incentive Program ("AIP") based on proforma wage levels. The second part of the adjustment recognizes that an additional 134 employees are expected to be hired across the company by May 31, 2021. As mentioned above, this adjustment has been made to reflect the Company's anticipated payroll expense during the period rates are in effect. Using Schedule H-4 as a starting point, Schedule H-5 normalizes all expenses representing employee benefits paid on behalf of employees, and Schedule H-6 recognizes the increase to payroll taxes associated with the payroll adjustment in Schedule H-4.

Q. WHAT ADJUSTMENT HAVE YOU MADE TO PROPERTY INSURANCE AND INJURIES AND DAMAGES?

A. Schedule H-7 normalizes property insurance and injuries and damages by taking a three-year average of workers' compensation claims paid and automobile and general liability claims paid and adding to that average the insurance premium increases expected to be paid on behalf of Spire. On a year-to-year basis, these claims and the associated amounts will vary. These variations can be smoothed by normalizing the amounts related to claims included in the cost of service. This adjustment also captures known and measurable changes in premium costs to Spire.

Q. HAVE YOU PROPOSED AN ADJUSTMENT TO UNCOLLECTIBLE EXPENSE?

A. Yes. I have reduced bad debt, or uncollectible, expense by $743,219 on Schedule H-8 to reflect the most recent 3-year average expense level. As noted in the Commission's Report and Order in Spire's last general rate case, "a twelve month period is not long enough to fairly represent bad debt write-off trends and to fairly project future expense. An average over at least three years normalizes unusual variances that can occur in a shorter period

such as twelve months." As described above, Spire reached an agreement in Case No. GU-2020-0376 that addresses the revenue impact of certain items associated with the COVID-19 pandemic through March 2021. Uncollectible expense is a lagging variable and Spire anticipates the impacts to uncollectible expense to continue into the future, making a normalization approach to this expense item all the more reasonable.

Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE H-9.

A. The adjustment on Schedule H-9 amortizes expected rate case expense over a 3-year period, including the cost of the current depreciation study prepared for this case and the current level of the Commission assessment for the period July 1, 2020 through June 30, 2021.

Q. WHAT IS THE PURPOSE OF SCHEDULE H-10?

A. Schedule H-10 computes interest on the average thirteen-month balance of residential customer deposits at an interest rate of 4.25%, or 1% over the prime rate, as of September 30, 2020.

Q. HAVE YOU PROPOSED AN ADJUSTMENT TO DEPRECIATION EXPENSE?

A. Yes. Schedule H-11 details the adjustment to annualize depreciation expense based upon the depreciation rates supported by the Company's depreciation study and the level of plant investment at September 30, 2020 compared to test year expense levels. Depreciation expense is a significant expense item for the Company, and, while depreciation expense is an operating income item, it ultimately impacts depreciation reserve and deferred tax balances going forward, which impact rate base. Spire's depreciation rates have not been updated since 2012. This adjustment ensures that this expense is captured accurately in rates using an updated evaluation of Spire's system facilities.

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO AMORTIZATION EXPENSE.

A. Schedule H-12 details the pro forma amortization expense. The adjustment consists of three parts. The first part annualizes the amortization of all leasehold improvements, miscellaneous intangible plant and unamortized Spire software assets at September 30, 2020. The second part of the adjustment computes amortization of Deferred Energy Efficiency Program costs and Customer-Assistance Program costs based upon the Company's requested ten-year amortization period. This is consistent with the amortization treatment approved for these items in Spire's most recent general rate case. The Customer Assistance Programs are the "Red-Tag" Repair Program, the Payment Partner Program, and the Insulation/Energywise Program. The third component of this schedule amortizes the balance of the costs deferred to a regulatory asset or tracked in association with Case No. GU-2020-0376. The Company is proposing to amortize this balance over a 5-year period. Spire will update the balance deferred in this regulatory asset at the proposed true-up date of May 31, 2021.

Q. PLEASE EXPLAIN SCHEDULE H-13.

A. Schedule H-13 adjusts expenses for line locates performed in Spire's service territory. The adjustment reverses credits received from third party contractors for performance penalties during the test year related to certain contract provisions and adjusts these expenses to the test year level of annual expense.

Q. PLEASE EXPLAIN SCHEDULE H-14-OTHER EXPENSE ADJUSTMENTS.

A. Schedule H-14 reflects a decrease to accounts 912 and 921 to eliminate from the cost of service the cost of sports tickets included in operating expenses. This adjustment also removes an estimate of expenses for alcohol within the Company's cost of service. In

Spire's last general rate case, the Company agreed to exclude alcohol expenses from its cost of service. Spire has used test year meal spend as a base and removed 5% of costs as an estimate for alcohol expense.

Q. PLEASE EXPLAIN SCHEDULE H-15.

A. Schedule H-15 is a reconciliation of the regulatory asset and the ongoing expense associated with ad valorem taxes assessed on storage gas in Kansas. As part of the Stipulation and Agreement in Case No. GR-2014-0007, Spire agreed to include in rates $1.6 million associated with the amortization of the regulatory asset related to the past assessment of Kansas ad valorem taxes and $1.4 million to reflect an ongoing level of expense. Spire also agreed to track the ongoing level of expenses and record to the regulatory asset the difference between the $1.4 million included in rates and what is actually paid each year. Spire agreed to continue this treatment in Case Nos. GR-2017-0215 and GR-2017-0216. As of September 30, 2020, the balance of the regulatory asset related to Kansas ad valorem taxes is $1,949,516. The Company is proposing to amortize this balance over 3 years. The adjustment on Schedule H-15 also includes an annual level of expense associated with these taxes using a five-year average.

Q. PLEASE EXPLAIN SCHEDULE H-16, PROPANE ADJUSTMENT.

A. Schedule H-16 removes all plant and expenses related to Spire's propane assets from the cost of service. Spire has taken steps to remove propane peaking facilities from its gas supply portfolio and a portion of these facilities are no longer used and useful in providing service to customers. The Company is planning to retire its remaining propane assets from its operations in early 2021, prior to the true-up date proposed in this

case. Therefore, Spire has removed all rate base amounts associated with propane assets and inventories, as well as associated propane expenses from its cost of service.

Q. PLEASE EXPLAIN SCHEDULE H-17, RELATED TO OUTSIDE CALL CENTER EXPENSES.

A. Schedule H-17 reflects a reduction in 3rd party call center expense associated with moving these resources within the Company. The Company feels that this action will result in improved service levels to our customers. Additional costs for sourcing call center personnel internally are included within the payroll adjustment described above and found in Schedule H-4.

Q. PLEASE EXPLAIN SCHEDULE H-18, THE ADJUSTMENT TO ACCOUNT 926 EXPENSES.

A. Schedule H-18 adjusts test year expenses for this account to reflect the impact of Spire's increased pension funding proposal as explained in the testimony of Company witnesses Alan Felsenthal and Timothy Krick.

Q. HAS SPIRE INCLUDED AN ALLOWANCE FOR RESEARCH AND DEVELOPMENT IN RATES?

A. Yes. Schedule H-18 includes an allowance for research and development funds of $1 million to be included in base rates. This equates to less than $1 per customer per year. The Company is continuing to explore innovative technologies that will deliver benefits for our customers. This type of allowance has been approved in over 30 jurisdictions across the U.S.

Q. PLEASE SUMMARIZE YOUR OPERATING INCOME ADJUSTMENTS.

A. These adjustments have been made to comply with prior agreements the Company has made or to ensure that Spire's cost of service is as accurate a picture as possible of revenues and expenses during the period in which rates will be in effect. These adjustments, some increases, some decreases, are necessary to match these components with their expected levels during the time in which the rates approved in this case will be in effect.

V. DEPRECIATION STUDIES, DATABASES, AND PROPERTY CATALOGS

Q. IS SPIRE SUBMITTING A DEPRECIATION STUDY IN THIS PROCEEDING?

A. Yes. 20 CSR 4240-40.090 requires that any gas utility which submits a general rate increase request shall submit "Its depreciation study, database and property unit catalog." However, a gas utility need not submit a depreciation study, database or property unit catalog to the extent that the commission's staff received these items from the utility during the three (3) years prior to the utility filing for a general rate increase or before five (5) years have elapsed since the last time the Commission's staff received a depreciation study, database and property unit catalog from the utility. Spire submitted depreciation studies, databases, and property unit catalogs in its most recent general rate cases GR-2017-0215 and GR-2017-0216, less than five years ago. During those proceedings Spire entered into a stipulation and agreement leaving its existing depreciation rates in place. The existing depreciation rates were established in the Company's 2012 rate case. In order to ensure an accurate level of depreciation expense, provide for adequate recovery of the Company's investments, and to reflect the current service life assumptions for Spire's assets, the Company feels it is appropriate to update depreciation rates in this proceeding. In addition, as it is now time to bring all of Spire's Missouri customers under one set of tariffs, it is

necessary to establish one set of depreciation rates statewide. Spire has engaged the services of Gannett Fleming to provide an updated depreciation study in this proceeding, which will be provided to Commission Staff and OPC.

VI. SPIRE'S CURRENT RATE STRUCTURE

Q. PLEASE DESCRIBE SPIRE'S CUSTOMER BASE.

A. Spire provides service to communities in the St. Louis and Kansas City metropolitan areas as well as to communities located in surrounding counties throughout eastern, western, and southwestern Missouri. Spire presently serves approximately 1.2 million customers: (93.63 percent) are residential. Depending on a customer's location, service is currently provided under a variety of rate classes based on type of service and load characteristics.

Q. PLEASE DESCRIBE SPIRE'S CURRENT RATE STRUCTURE.

A. Spire's current rate structure consists of both distribution rates and Purchase Gas Adjustment ("PGA") rates for gas sales. Spire's current delivery rates were approved by the Commission in March 2018.[1] The distribution rates consist of a monthly customer charge and consumption charges. The consumption charges generally consist of declining step rates (or block rates) and seasonal rates; i.e., the rates are lower in the off-peak period (May through October) than in the peak period (November through April). The current delivery rates also include demand charges for the largest General Service ("GS") or Commercial and Industrial ("C&I") customers. Spire's PGA rate recovers the cost of natural gas supplies purchased to meet the needs of its sales customers. A more detailed description of Spire's current rates by class and location are shown in Appendix B.

Q. IS SPIRE PROPOSING CHANGES TO ITS CURRENT RATE CLASSES?

[1] Case Nos. GR-2017-0215 and GR-2017-0216

A. Yes. Spire is proposing to make several changes to the structure of its rate classes. These changes better reflect Spire's customer base and the needs within each rate class, and include: eliminating its Large Volume, Vehicular Fuel, and Interruptible classes, adding a Seasonal customer tariff, and making modifications to its School Aggregation and Transportation tariffs. Spire's Large Volume tariff has become outdated and customers currently taking service under this schedule have already begun to largely migrate to other tariffs, including Spire's Large General Service and Transportation tariffs. The Vehicular Fuel rate currently serves only a handful of customers which would experience no detriment if moved to another tariff such as Spire's Small General Service tariff. Customers currently served under the interruptible tariff will be able to take advantage of the new Seasonal tariff. The proposed Seasonal tariff accommodates customers that increase the utilization of Spire's distribution system due to the fact they have a significant portion of their load requirements occurring in the summer season when heating load/system demand is low. Additional details regarding the proposed Seasonal tariff can be found below. Details regarding the changes being made to Spire's School Aggregation and Transportation tariffs can be found in the testimony of Spire witness Weitzel.

Q. PLEASE DESCRIBE SPIRE'S USAGE PROFILES FOR EACH RATE CLASS.

A. Figure 1 provides a breakdown of test year customers and usage by rate class. The usage has been normalized for weather, customer annualization, and rate switching. Figure 1 shows that the Residential class consists of approximately 1.1 million customers using approximately 835 million CCF annually.

Figure 1: Spire Missouri Test Year Customers and Normalized Use

Spire Missouri Test Year Customers and Usage	Number of Customers	% of Customers	Annual Use	% of Use	Use per Customer
Residential	1,101,532	93.63%	835,247,186	51.8%	756
Small General Service	65,800	5.59%	130,365,952	8.1%	1,962
Large General Service	8,452	0.72%	187,982,530	11.7%	22,168
Transportation	542	0.05%	459,082,014	28.5%	846,620
Propane	36	0.00%	16,336	0.0%	452
Gas Light	75	0.01%	153,621	0.0%	1,828
Total	**1,176,437**	**100%**	**1,612,847,638**	**100%**	

Figure 1 demonstrates the variation in annual use per customer among Spire's rate classes. Residential customers use on average 756 Ccf per year, while Transportation customers use on average 846,620 Ccf per year.

Most Spire rate classes demonstrate a seasonal load pattern, with monthly consumption increasing during the heating season, November through March, and decreasing during the non-heating season, April through October. Spire's larger rate classes however, demonstrate a flatter, less seasonal load pattern during the year and much higher system utilization. As discussed in Appendix C, these differences in load patterns have implications for the cost of service.

VII. ALLOCATED COST OF SERVICE STUDY

Q. HAS SPIRE PERFORMED A COST OF SERVICE STUDY ("COSS") IN THESE PROCEEDINGS?

A. Yes, it has. A detailed explanation of Spire's COSS can be found in Appendix C to my testimony.

Q. PLEASE DESCRIBE THE PURPOSE OF A COSS.

A. A COSS is an analysis of utility costs that attempts to allocate a company's overall cost of service to each customer or rate class in a manner that reflects the principle of cost

causation. Cost causation in ratemaking addresses the question of which customers or group of customers causes the utility to incur specific types of costs. Spire's COSS was developed by identifying the relationships between customer service requirements, load profiles, and usage characteristics and the costs incurred by the Company in serving those requirements.

To allocate the costs of Spire's gas distribution system, it is important to first consider the objectives a gas utility's distribution system must meet. First, the distribution system must extend gas service to all customers authorized to receive it. Spire's distribution system must also meet the design day capacity requirements of its customers. Finally, Spire's distribution system must deliver the necessary volumes of gas to its customers. Spire's COSS was conducted using methods well established in the natural gas industry and follows the cost allocation concepts approved in Spire's most recent general rate cases, Case Nos. GR-2017-0215 and GR-2017-0216.

VIII. OVERVIEW OF PROPOSED RATE DESIGN

Q. PLEASE DESCRIBE THE OBJECTIVES OF SPIRE'S PROPOSED RATE DESIGN.

A. The Company's proposed rate design followed several objectives common to this exercise and throughout the industry, including: (a) setting rates at levels that should recover the Company's cost of service; (b) rates should be fair and minimize inter- and intra-class subsidization, to the extent possible; and (c) rate changes should be made in a way that moderates rate shock. In addition, Spire's proposed rate design was guided by several Company-specific objectives, including specific rate class changes and a consistent rate design across Spire's Missouri territory.

Because these objectives can sometimes conflict with one another, the rate design process also includes a level of judgment to achieve balance among these objectives.

Q. HOW WERE THESE OBJECTIVES APPROACHED IN THIS PROCEEDING?

A. First, rates were designed to recover the overall cost of service. This was accomplished by developing customer and consumption charges based on test year bills and usage. In addition, rates were designed to be fair and equitable. This was accomplished by setting revenue targets at levels that move in aggregate closer to the system Rate of Return ("ROR"). As discussed earlier, the results of the COSS show that some rate classes earn less than the overall ROR. The proposed rate design aims to reduce that deficiency. Another rate design objective is to maintain pricing stability by minimizing the impact of changes in rates on customers. Spire recognizes the importance of this now more than ever given the current COVID-19 pandemic. This objective was a consideration during both the setting of revenue targets, and again in reviewing the impact of proposed rates on customers' bills at various usage levels within customer classes.

Q. PLEASE SUMMARIZE THE STEPS TAKEN TO DERIVE THE PROPOSED RATES.

A. The first step to derive the proposed rates was to establish the overall revenue requirement to be recovered from base rates. The next step was to set revenue targets for each rate class based on the results of the COSS, as shown on Schedule WES-2. Rates within each customer class were then designed to recover the revenue requirements based on test year customer and usage data.

Q. WHAT IS THE TOTAL REVENUE REQUIREMENT THAT YOU USED AS A STARTING POINT?

A. To determine the total revenue requirement, I relied on information from the overall cost of service presented in the testimony and accounting schedules described above. As shown on Schedule WES-2, Spire's total revenue requirement was then reduced by revenues related to the Street Lighting and Propane customer classes and other revenues to calculate revenue requirements.

Q. PLEASE DESCRIBE THE PROCESS USED TO SET THE REVENUE REQUIREMENT TARGETS FOR EACH RATE CLASS.

A. Since each rate class presently earns a ROR that is different than the overall system ROR (as shown in WES-2), the starting point for setting the revenue targets for each rate class was based on their revenues at equalized rates of return.

Q. IN GENERAL, HOW DID YOU DETERMINE THE APPROPRIATE RATE DESIGN WITHIN EACH RATE CLASS?

A. The proposed rates were designed to recover 100 percent of the proposed revenue requirement. Specifically, rates were designed by first reviewing the customer charge to evaluate what level of fixed cost is reasonable to be recovered through customer charges consistent with rate design objectives identified above.

Once customer charge levels were established, the remaining revenue requirement for each class was recovered via the consumption charges, as shown in Schedules WES-2. The rate design for each rate class of Spire is discussed below.

Q. PLEASE DESCRIBE THE PROCESS USED TO SET THE REVENUE REQUIREMENT TARGETS FOR EACH RATE CLASS.

A. The process began with the Residential class:

- The Residential class presently generates revenues equal to only 62 percent of what is needed to achieve the system rate of return. Based on this deficiency, the revenue target for the Residential class was set based on approximately 60 percent movement toward revenues needed to achieve the system rate of return.

The revenue targets for the other rate classes were based on the additional revenues needed to achieve the system rate of return allocated to the remaining classes based on each classes' percentage of test year non-residential revenues.

Q. PLEASE DESCRIBE THE PROPOSED RATE DESIGN FOR THE RESIDENTIAL RATE CLASS.

A. The proposed rates were based on a revenue requirement target of $533.6 million, annual average customer bills of 13,218,382 and annual usage of 835,247,186 Ccf's. Spire proposes to establish a monthly customer charge for the Residential class of $22.00. The proposed customer charge is based on the current customer charge for customers in Eastern Missouri.

The revenue requirement not recovered through the customer charge is then recovered through a single volumetric charge of $0.29073 per Ccf. The proposed consumption charge has been simplified to be a single charge for all consumption. The proposed rate design and bill impact analysis are included in Schedule WES-3.

Q. WHAT HAS THE COMPANY PROPOSED REGARDING RESIDENTIAL SUMMER INCLINING BLOCK RATES?

A. Spire is proposing to eliminate its current Residential Summer block rates. This change should result in a very minimal customer impact as average Residential customer gas usage during the summer months is very low.

Q. IS SPIRE PROPOSING TO OFFER ALTERNATIVE RATE OPTIONS FOR RESIDENTIAL CUSTOMERS?

A. Yes. Spire is proposing to offer two additional pilot rate options for Residential customers. These pilot rate options will have a 12-month opt-in period and be available to customers with no current arrearages. These two options, named the Customer Choice Billing Program, would be available to 5,000 customers on a first-come, first serve basis and will allow Spire the opportunity to examine customer interest in choosing from a set of alternative rate options. The Company recognizes that customer preferences vary and would like to, on a limited pilot basis, evaluate customer response to these alternative rate options.

Q. HOW WILL THESE ALTERNATIVE RATE OPTIONS BE STRUCTURED?

A. Similar to the Residential Standard rate, each rate will be based on the average customer cost as determined in the Company's COSS. The first option will include the average Residential cost of service per month into a single fixed charge of $40.50. The second option is more usage based and will feature a reduced customer charge and higher volumetric charges. The customer charge under this option will be set at $15 per month and a usage charge of $0.40211 per Ccf.

Q. HOW COULD RESIDENTIAL CUSTOMERS BENEFIT FROM THESE ADDITIONAL RATE OPTIONS?

A. Spire believes in the ability of customers to choose. This certainly applies to rate design. The residential rate class is easily Spire's most diverse rate class and it is a reasonable assumption that one rate may not be the best fit for all Residential customers. There may be financial benefits for certain customers under either option depending on their gas usage

and preferences. For example, a customer with very little usage, such as a customer with only a gas stove, may prefer a rate with a reduced customer charge. While their volumetric charge may be higher than the standard residential charge, their bill could be lower as a result. Some customers prefer to see a more usage-based bill, as it gives them a feeling of having more control over their monthly bill. Other customers may prefer the dependability of a fixed bill option.

Q. WHY DOES SPIRE BELIEVE THESE OPTIONS SHOULD BE APPROVED ON A PILOT BASIS?

A. While the Company is enthusiastic about evaluating customer response to these options, employing these rates on a large scale basis is new for Spire, and the Company would like to implement these additional rate choices in a measured manner that allows for an adequate evaluation of customer response and that prevents adverse revenue impacts which may cause the Company to seek additional rate relief.

Q. PLEASE DESCRIBE THE PROPOSED RATE DESIGNS FOR SPIRE'S OTHER RATE CLASSES.

A. The proposed rate design for the Small General Service, Large General Service, Transportation, and Seasonal Rate Classes are described below.

<u>Small General Service</u>

The proposed rates were based on a revenue requirement target of $57.3 million, annual customer bills of 789,597 and annual usage of 130,365,952 Ccf. The Company proposes a customer charge of $35.00. The revenue requirement not recovered through the customer charge is then recovered through a single consumption charge of $0.22758 per therm.

<u>Large General Service</u>

The proposed rates were based on a revenue requirement target of $54 million, annual customer bills of 101,421 and annual usage of 187,982,530 Ccf. The Company proposes a customer charge of $125.00 per month. The revenue requirement not recovered through the customer charge is then recovered through a single consumption charge of $0.21978 per Ccf.

Transportation

The proposed rates were based on a revenue requirement target of $37.1 million, annual customer bills of 6,510 and annual usage of 459,082,014 Ccf. Spire is proposing two transportation rate options, one for its Eastern service territory and one for its Western service territory. As the Company evaluated how to bring all rate tariffs under one Spire Missouri, it became apparent that the current Transportation rate structures were vastly different and the bill impact of merging all Transportation customers under one tariff was not appropriate at this time. The Company did, however, make significant progress in aligning the many provisions of its Transportation tariffs moving forward. For Transportation customers in Spire's Western service territory, the Transportation rates consist of a monthly customer charge of $1,114, and a volumetric rate charge of $0.0604per Ccf. For Transportation customers in Spire's Eastern service territory, the Transportation rates consist of a monthly customer charge of $2,140, a volumetric rate charge of $0.0241, and a reservation/demand charge of $0.60.

Seasonal

Spire's proposed Seasonal tariff would be available to any SGS or LGS customers who experience 50% or more of their load requirements in the summer period of May through

October. For these customers, Spire would calculate a separate PGA tariff excluding transportation/capacity costs, similar to the current Interruptible PGA rate.

Q. HAVE YOU EXAMINED THE IMPACT OF YOUR PROPOSED CHANGE IN RATES ON CUSTOMERS WITHIN EACH RATE CLASS?

A. Yes. Average customer bill impacts are shown in Schedule WES-3.

IX. RATE NORMALIZATION ADJUSTMENT

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RATE NORMALIZATION ADJUSTMENT.

A. Spire is proposing to replace its current Weather Normalization Adjustment Rider ("WNAR") with the Rate Normalization Adjustment ("RNA"). Spire's WNAR is designed to address revenue variations caused by abnormal weather. While the current WNAR has been useful in addressing weather related revenue impacts, the WNAR has had issues and in some cases caused anomalies opposite of the mechanism's intended purpose; such as warmer than normal temperatures resulting in the Company refunding revenues. The new RNA mechanism would better address the revenue impacts of changes in usage for weather and would also address revenue effects caused by conservation as authorized in RSMo. 386.266.

Q. HOW DOES THE CURRENT WNAR OPERATE?

A. Spire's current WNAR mechanism calculates a weather adjustment to revenue by taking the difference between actual degree days and normal degree days, as established in Spire's most recent general rate case, by heat use per degree day per customer, times bill counts for the Residential class. Heat use per degree day per customer is determined by

performing a regression analysis of heat use per bill and degree days. The WNAR mechanism uses the heat use per degree day per customer calculated during Spire's most recent rate case. The result of the calculation is a number of Ccf to be adjusted per customer. This amount is multiplied by the number of customers in each of the Company's billing cycles and then by the applicable service rates to create a monthly weather adjustment. The Company makes semi-annual WNAR adjustment filings for its Residential class only.

Q. DOES SPIRE'S CURRENT WNAR ADDRESS CONSERVATION?

A. No, it does not. That fact that the RNA does adjust for conservation is one of the primary benefits of implementing the RNA instead of continuing to utilize its current WNAR.

Q. IN THE CONTEXT OF THIS MECHANISM, HOW IS CONSERVATION DEFINED?

A. Conservation is defined broadly to include the adoption of energy efficiency measures, as well as any other factor inducing changes to the volumes of gas sold.

Q. HOW WOULD THE PROPOSED RNA OPERATE?

A. The proposed RNA is a revenue adjustment mechanism that would provide the Company protection from the revenue effects of not only abnormal weather, but also customer conservation, as provided for in RSMo. 386.266.3. The RNA mechanism would be paired with a block rate design, with a specified block being designated weather-sensitive and subject to variations due to weather and conservation, therefore, subject to reconciliation with the billing determinants established in this case through the RNA.

Q. TO WHICH RATE CLASSES WOULD THE RNA BE APPLICABLE?

A. The RNA mechanism would be applicable to the Residential and Small General Service rate classes. As shown above, Spire's larger rate classes tend to demonstrate a less seasonal/weather-sensitive usage profile.

Q. DOES THE DCA ELIMINATE ALL UTILITY RISK ASSOCIATED WITH WEATHER AND CONSERVATION?

A. No. As explained above, the RNA mechanism is paired with a two-block rate design. The RNA mechanism will adjust revenues associated with the second block back to the billing determinants set in this case. For instance, for the Residential class, the Company is proposing a block break at 30 Ccf. The RNA mechanism will adjust revenue for this block back to the level of usage and revenue established in this case. The first block, however, will remain at risk for the Company. The Company is proposing a block break for the SGS rate class at 100 Ccf.

Q. HOW OFTEN WOULD AN RNA ADJUSTMENT BE MADE?

A. The Company is proposing to make an annual RNA adjustment filing.

Q. WHAT DOES THE COMPANY PROPOSE TO DO WITH ITS CURRENT WNAR AND WNAR RECONCILIATION BALANCES?

A. Any deferred WNAR balances currently being recovered/passed back through the WNAR mechanism will be moved to the new RNA mechanism for recovery or pass back.

Q. HAS A MECHANISM SIMILAR TO THAT BEING PROPOSED BY THE COMPANY BEEN APPROVED IN MISSOURI?

A. Yes. As part of Ameren Missouri's last gas rate case, Case No. GR-2019-0077, a nearly identical mechanism was agreed to by the parties and approved by the Commission.

X. MULTIFAMILY PILOT

Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S REQUEST FOR A MULTIFAMILY PILOT PROGRAM.

A. The Company requests authority to conduct a 5-year Pilot Program that will better aid builders and developers in offering natural gas service to multi-family units. Specifically, the Company proposes to modify its Rules and Regulations sheet R.15 to provide builders and developers of multi-family apartments and condominiums a contribution toward the installation of gas piping and venting. Through the program, residents of multi-family units will be provided the opportunity to receive the many benefits natural gas heating and cooking provides, including lower bills from an efficient, clean energy source. The proposed program will benefit the Company's existing customers by spreading the fixed costs of the Company's distribution system across a larger customer base.

Q. WHAT FINANCIAL CONTRIBUTION DOES THE COMPANY PROPOSE?

A. Under the Company's proposed tariff, "The amount of the Company's financial contribution shall be limited to the lesser of the actual cost of installing the required piping and venting for the dwelling units within a project, or $1,500 per dwelling unit."

In other words, the contribution is capped at $1,500 per unit, and could be less depending on the developer's actual costs. Qualifying developers will be required to consult with the Company prior to construction and must submit actual costs of the venting and indoor piping work to ensure financial incentives are paid appropriately. The Company proposes to cap the annual program budget at $2 million, with the ability to roll over unused program dollars to a subsequent year; to exceed this amount, the Company would need to receive additional authority from the Commission.

Q. WHY HAS THE COMPANY CHOSEN $1,500 AS THE MAXIMUM CONTRIBUTION AMOUNT?

A. The $1,500-per-unit contribution approximates the cost of the facilities extension provided to new residents of single-family homes under the Company's residential tariff. Under the Company's existing and proposed tariff, all service lines for new construction are installed by and at the expense of the Company. Likewise, if the new customer requires a main extension, the Company is required to make a main extension of one hundred seventy-five (175) feet or less without cost to the customer. As such, for new residential or small commercial customers, service extensions typically satisfy the Company's internal rate of return and there is no charge to connect to the Company's system and receive natural gas service, even if the customer is not located on an existing gas main. Based on current estimates, the cost of the allowed service extension, including both main and service line is around $2,100. The Company is proposing a $1,500 contribution to reflect that multi-family units in general provide lower margin than a typical single-family home. Of course, the actual cost in any given case will depend upon project-specific factors.

These installation costs are capitalized and included in rate base. Assuming the Company's proposed rate structure including a customer charge of ($22) and volumetric rates of ($0.29073), an investment of $1,500 per customer pays for itself in less than 6 years regardless of consumption levels in the home. In other words, the non-gas cost revenues received from the customer surpass the infrastructure costs needed to serve the customer in a matter of a few years.

Q. IS THERE ADDITIONAL EVIDENCE TO SUPPORT THE COST EFFECTIVENESS OF PROVIDING THESE INCENTIVES?

A. Yes. Confidential Schedule WES-4, provides a sample of economic analyses for recent multi-family projects for Spire. The schedule shows each analysis after including the $1,500 per unit incentive in as a direct project cost. As shown, in all scenarios, the projects passed the Company's cost-effectiveness test by a significant margin and were shown to be economic even after including the incentive as a direct project cost.

Q. PLEASE DESCRIBE WHAT PROJECTS WILL BE ELIGIBLE FOR THE PROGRAM.

A. For the purposes of the Pilot Program, a multi-family project is defined as four or more units served in a single building. The developer and/or building owner of any multi-family project served under the Program will be responsible for installation, ownership and maintenance of all piping beyond the Company's meters.

Q. PLEASE DESCRIBE THE PROPOSED LENGTH OF THE PILOT PROGRAM AND THE COMPANY'S REPORTING PLAN.

A. The Company proposes that the Pilot Program be in effect for five years, beginning with the date that the rates approved in this proceeding become effective. Due to the lead time on multi-family projects, the Company proposes a multi-year period to evaluate the program, as it will take some time to inform and educate local builders, developers, architects, and engineering firms, all of which have designed multi-family buildings for decades as all-electric complexes.

On an annual basis, the Company will report to the Commission on the Program, including successful projects and incentives offered. Upon completion of the five-year term, the Company will make a recommendation for whether to extend or modify the Program, including whether to establish it as a permanent offering.

Q. HOW WILL PROGRAM COSTS BE TREATED?

A. The Company proposes to defer the costs of incentives to a regulatory asset to be addressed in a future rate proceeding.

Q. WHY DOES THE COMPANY BELIEVE THAT SUCH A PROGRAM IS NECESSARY?

A. Single-family homeowners can readily utilize natural gas through new construction and/or conversion; however, those who own or rent multi-family units, especially those in multi-story complexes, are not generally afforded the opportunity to benefit from natural gas service.

Q. WHY DOES THE COMPANY BELIEVE THAT RESIDENTIAL RENTERS ARE NOT GENERALLY ABLE TO BENEFIT FROM NATURAL GAS SERVICE?

A. The primary barrier is the relatively high up-front costs to install gas piping and facilities to units in a multi-family complex. Appliances that use natural gas also require the

installation of appropriate venting and other associated design requirements when compared to an all-electric complex. As developers of multi-family building projects do not generally stand to directly gain from the longer-term price and efficiency benefits of natural gas, so the additional up-front costs often deter them from choosing natural gas.

The Company's proposed program is designed to address this cost barrier. The Company's proposal provides a cost-effective opportunity for developers and owner/operators of multi-family buildings to install the infrastructure needed to offer natural gas service. At the same time (as discussed below), the level of the incentive, coupled with the fact that it will increase the number of new customers, ensures that the program is economically beneficial to existing customers.

Q. WHAT ARE THE BENEFITS OF USING NATURAL GAS IN THE RESIDENTIAL SECTOR?

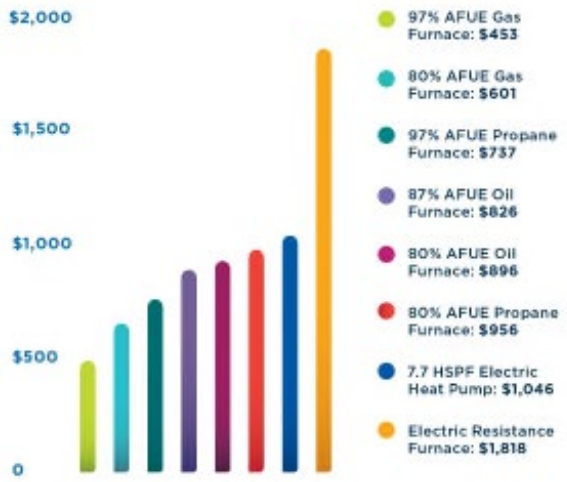
A. Natural gas is a low-carbon, affordable energy source that is the overwhelming choice for home and water heating in the Midwest. Natural gas bills have fallen significantly over the past several years compared to alternative fuel choices. An average Missouri customer will save $800 a year by heating with natural gas. For Spire Residential customers, including the Company's rate relief request, bills are still lower than they were 15 years ago.

Q. FOR HOME HEATING PURPOSES, HOW DOES NATURAL GAS COMPARE TO OTHER FUEL SOURCES?

A. Natural gas is the most affordable source of fuel for home heating when compared to fuel oil, propane, and electricity. According to the AGA's Full-Fuel-Cycle Energy Efficiency

Standards report from 2017, a household with natural gas appliances consumes 33 percent less energy than a household using all electric appliances. The chart below illustrates national average heating costs by fuel type according to data from the U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy (as published in the 2017 AGA Playbook).

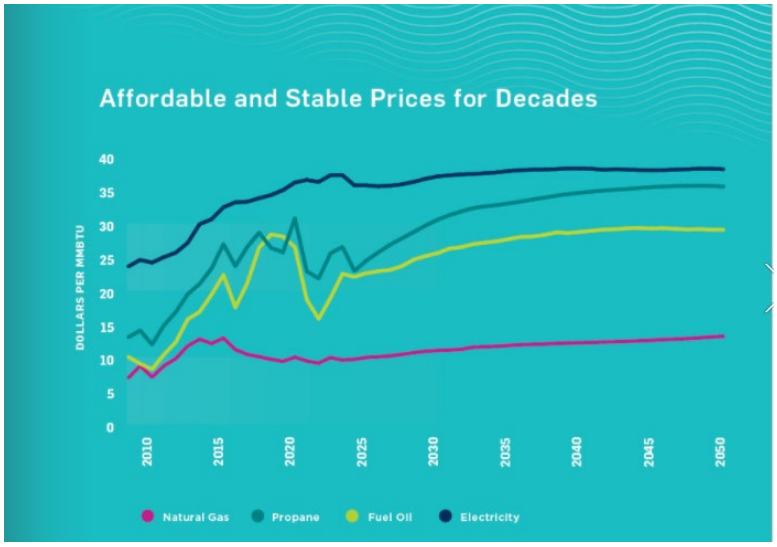
Figure 2: National Average Heating Cost by Fuel Type



Q. WHAT ARE THE LONG-TERM PRICE FORECASTS FOR NATURAL GAS?

A. Natural gas pricing forecasts demonstrate natural gas prices will remain low and stable thanks to the abundant domestic supply in the United States. As shown in the graph below, compared to other fuel sources, natural gas will remain cost-competitive for decades to come.

Figure 3: Pricing Forecast by Fuel Type



Source: American Gas Association 2020 Playbook

Q. ARE THERE ADDITIONAL BENEFITS ASSOCIATED WITH NATURAL GAS?

A. Yes. Speaking in terms of comparison between natural gas and electricity for energy in multifamily units, one must consider the overall energy productivity including the total fuel cycle. The direct use of natural gas retains approximately 91% of its energy value as it moves from site to source, or production to end-use consumption, where electricity retains roughly 36%. The use of natural gas is simply more efficient.

Q. HAS THE COMPANY CONSIDERED THE IMPACT OF THE PROGRAM TO EXISTING CUSTOMERS?

A. Yes. The Company believes that the Program, by adding new customers in a cost-effective manner, will benefit existing customers.

Q. HOW WILL CURRENT EXISTING CUSTOMERS BENEFIT FROM ADDITIONAL NATURAL GAS CUSTOMERS?

A. Increased customer growth allows fixed costs to be spread among a larger customer base. All else equal, this would tend to result in downward pressure on natural gas rates. Through the Program, as many as 1,300 additional multi-family units per year will be afforded the opportunity to become new natural gas customers.

Q. HAS THE COMPANY CONSIDERED THE POTENTIAL RATE IMPACT RELATED TO THE PROGRAM?

A. Yes. The Company expects any customer rate impact to be negligible and, in the long-term, positive. Without considering the positive impact of adding additional customers and assuming annual incentives were fully utilized at $2 million per year, the annual program impact would be roughly $0.15 per month.

Q. DOES THE COMPANY BELIEVE THAT THESE RATE IMPACTS ARE REASONABLE?

A. Yes. The incentive will have the same rate impact and the same corresponding benefits as a new residential service line. Any rate impact associated with the Pilot Program should therefore be considered reasonable.

Q. PLEASE EXPLAIN THE COMPANY'S WAIVER REQUEST ASSOCIATED WITH THE PROPOSED PROGRAM.

A. In order to effectuate the program, the Company is requesting the Commission grant a waiver from 20 CSR 4240-14.020, the Commission's promotional practice rule. The proposed program is limited in available budget and term and will provide significant opportunity to multifamily residents to save on their energy bills through consumption of an abundant and efficient fuel.

XI. RENEWABLE NATURAL GAS

Q. EXPLAIN WHAT RENEWABLE NATURAL GAS IS AND SOME OF ITS BENEFITS.

A. Renewable Natural Gas ("RNG") is pipeline quality natural gas that is derived from biogenic or other renewable sources that have lower lifecycle carbon dioxide emissions than conventional, geological natural gas. RNG has been increasing in presence in the natural gas industry and offers a variety of benefits to Spire customers, the State of Missouri and beyond in the form of emissions reductions and economic development. According to the AGA, by 2030 approximately 4,500 trillion Btu of renewable natural gas could be produced annually. This amount of production equates to a 235 million metric ton reduction in greenhouse gas emissions, or, looked at a different way, a 95% reduction in emissions from Residential customers. RNG is produced from farms, landfills, and water treatment facilities, providing opportunities for capital investment, job growth, and additional revenue streams to producers and utilities.

Q. WHAT PROPOSALS IS SPIRE MAKING IN THIS CASE RELATED TO RNG?

A. Spire has made two proposals in this case related to RNG. The first is a modification to Spire's PGA tariff. Spire is proposing language in the PGA tariff that would allow the Company to procure up to 5% of its gas supply from renewable sources. The second is a voluntary customer RNG program. This program would allow customers to elect to offset a portion of their natural gas usage with RNG.

Q. PLEASE FURTHER EXPLAIN THE COMPANY'S PGA RNG PROPOSAL.

A. As RNG is still a relatively nascent industry, the Company has made a modest proposal to procure up to 5% of its gas supply through RNG sources. The Company's approach

allows it to enter this space on a limited basis and evaluate RNG opportunities while at the same time holding customer bill impacts to a negligible level.

Q. PLEASE CONTINUE.

A. Spire's proposed program would be applicable to all Residential and Small General Service customers and would allow customers to elect to purchase a portion of their natural gas supply from an RNG supplier. For Large General Service and Transportation customers, the Company will explore opportunities to execute special agreements for RNG procurement. Participating customers will designate the amount of RNG they wish to purchase and that amount will be charged the Company's RNG price. RNG purchased through this program will not be subject to the PGA. Participating customers' actual metered gas usage less the customers designated RNG purchase amount will remain subject to the PGA.

Q. IS THERE A MINIMUM RNG PURCHASE AMOUNT CUSTOMERS MUST ELECT?

A. Customers will be able to choose between several levels of program participation based on varying percentage of gas usage. The Company plans to offer 10, 25, 50, and 100% participation levels.

Q. IS THERE A MINIMUM SUBSCRIPTION TIME FOR CUSTOMERS ELECTING TO PARTICIPATE IN THE PROGRAM?

A. Yes. For Residential customers, the minimum subscription period is twelve (12) months and for Commercial and Industrial customers the minimum subscription period will be twenty-four (24) months.

Q. WILL THE COMPANY REPORT TO THE COMMISSION ON ITS VOLUNTARY RNG PROGRAM?

A. Yes. The Company is proposing to make annual reports to the Commission detailing the operation and accounting associated with the voluntary RNG program.

Q. WHY IS SPIRE MAKING THESE PROPOSALS IN THIS CASE?

A. As the Company has discussed throughout this filing, Spire has made significant efforts to engage its customers in an ongoing conversation about their service expectations. Customers are interested in emerging technologies and how the Company is deploying them. Customers are also interested in environmental sustainability, including carbon-offsetting projects like RNG. The Company is offering these RNG proposals in response to this feedback from customers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

AFFIDAVIT

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 Director, Rates and Regulatory Affairs for 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 the foregoing is true and correct to the best of my knowledge and belief.

s/Wesley E. Selinger
Wesley E. Selinger

December 11, 2020
Date