

**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 )	Case No. GR-2022-0179
Company's Missouri Service Areas )	

**RESPONSE TO SPIRE'S PROPOSED TEST YEAR**

COMES NOW the Office of the Public Counsel ("OPC") and for its *Response to Spire's Proposed Test Year*, states as follows:

1. The Commission issued an order on April 4, 2022, requiring, among other things, that "[a]ny party wishing to respond to Spire's proposed test year . . . do so no later than May 6, 2022." The OPC responds pursuant to the Commission's order.

2. The Commission's April 4<sup>th</sup> order describes the test year proposed by Spire as follows:

The test year in Spire's last rate case, File No. GR-2021-0108, was the twelve months ending September 30, 2020, adjusted for known and measurable rate base and expense items through May 31, 2021. Spire proposes using the same test year again updated for activity occurring from June 1, 2021, through December 31, 2021.

3. This is not a completely accurate description of Spire's proposed test year.

4. A more accurate description of Spire's proposed test year is found in the testimony of Spire witness Michelle Antrainer:

**Q. WHAT TEST YEAR DID THE COMPANY USE IN DETERMINING ITS REVENUE REQUIREMENT?**

A. The test year in Case No. GR-2021-0108 was [the] 12-month period ending September 30, 2020, adjusted for known and measurable rate base and expense items through May 31, 2021. Spire Missouri proposes that the majority of Spire Missouri's expense items will still be based on that period. However, certain elements that have changed materially, or that Spire Missouri is approaching differently based on findings in the 2021 Order, will be updated using a test year ending December 31, 2021.

**Q. WILL SPIRE MISSOURI BE REQUESTING THAT THE UPDATES TO THE TEST YEAR BE "TRUED-UP"?**

A. Yes. Spire Missouri is requesting the test year be trued-up through September 30, 2022, in this case. Spire Missouri proposes to "true-up" only the items that are being updated. The test year "true up" process will be consistent with the process used in prior Spire Missouri rate cases.

5. Spire's proposed test year as set forth in the testimony of Ms. Antrainer differs from the description provided in the Commission's April 4<sup>th</sup> order in two important regards: (1) Spire intends for the update from the last test year through December 31, 2021, to apply to only certain "elements that have changed materially, or that Spire Missouri is approaching differently," and (2) Spire is seeking for the December 31, 2021, update of the previously trued-up case to be further trued-up through September 30, 2022. The OPC opposes both of these additional provisions.

6. It is well established law that the Commission must consider "all relevant factors" when setting rates. *State ex rel. Mo. Office of Pub. Counsel v. Pub. Serv. Comm'n*, 858 S.W.2d 806, 812 (Mo. App. W.D. 1993) ("The Commission must consider all relevant factors, including all operating expenses and the utility's rate of return, when determining a rate authorization."); *State ex rel. Mo. Gas Energy v. PSC*, 210 S.W.3d 330, 336 (Mo. App. W.D. 2006) ("The Utilities are not automatically

entitled to receive all of the costs in the next rate case for several reasons. First and foremost is that in a rate case the Commission must consider ‘all relevant factors.’” (quoting *State ex. rel. Utility Consumers Council of Mo., Inc. v. Pub. Serv. Comm’n*, 585 S.W.2d 41, 56 (Mo. banc 1979)). Failure to consider all relevant factors constitutes impermissible single-issue ratemaking. *State ex rel. Mo. Gas Energy*, 210 S.W.3d at 336.

7. Spire’s proposal to update the prior rate case test year through December 31, 2021, for only some elements of the case runs afoul of the legal requirement to consider all relevant factors and the legal prohibition on single-issue ratemaking simply because not all factors relevant to the case are being updated.

8. In order for the Commission to consider “all relevant factors” while still employing a proposed “update to a prior test-year” method, all elements of the prior test year must be updated.

9. At a bare minimum, the Commission should not permit Spire alone to dictate what elements of the prior case are updated, which is what is implied by the language employed by Spire’s witness.

10. Moving to the second issue, the Commission should not order a true-up period for this case because the proposed “update” through December 31, 2021, already is an effective true-up of the historical test year that Spire is proposing to re-use.

11. “A true-up period following the test year ‘is designed to balance the historical data [from the test year] with known and measurable subsequent and

future changes.” *Empire Dist. Elec. Co. v. P.S.C.*, 630 S.W.3d 887, 891 (Mo. App. W.D. 2021) (citing *Off. of Pub. Couns. v. Evergy Mo. West, Inc.*, 609 S.W.3d 857, 860 n.2 (Mo. App. W.D. 2020)).

The PSC's use of a true-up audit and hearing is designed to balance the historical data with known and measurable subsequent and future changes; these are generally limited only to accounts affected by a significant known and measurable change, such as a new labor contract, new tax rate, or the completion of a new capital asset. This procedure is designed to reduce regulatory lag.

*Kan. City Power & Light Co.'s Request v. Mo. Pub. Serv. Comm'n*, 509 S.W.3d 757, 767 (Mo. App. W.D. 2016).

12. Spire’s proposal in this case is to re-utilize the test year of the previous case (the 12-month period ending September 30, 2020, adjusted for known and measurable rate base and expense items through May 31, 2021) with an additional update through December 31, 2021.

13. The “update” through December 31, 2021, **is** effectively a true-up of the previous case’s test year (which was itself already trued-up once). To therefore include an additional true-up through September 30, 2022, to the December 31, 2021, “update” period would effectively constitute a true-up of the true-up of the already trued-up prior case’s test year.

14. This kind of repetitive true-up is neither necessary nor warranted.

15. If the Commission approves the proposed test year for Spire as being the last case’s prior test year (*i.e.* the last twelve months ending September 30, 2020 with the true-up through May 31, 2021), which is then further updated through December

31, 2021, then that should be the cut-off point. There should not be a *further* true-up through September of 2022.<sup>1</sup>

### Two Proposed Solutions

16. The OPC proposes two solutions for the test year issue.

17. First, the Commission could order a test year consisting of Spire's prior test year (meaning the twelve months ending September 30, 2020, adjusted for known and measurable rate base and expense items through May 31, 2021), updated through December 31, 2021.

18. This is largely consistent with what the Commission described as Spire's proposed test year in its April 4<sup>th</sup> order.

19. The only two differences between this test year and Spire's proposal are that (1) all elements of the prior case's test year would be updated through December 31, 2021, and (2) there would be no further true-up period.

20. The second option would be for the Commission to treat this case as its own, distinct rate case and order a test year consisting of the twelve months ending December 31, 2021, adjusted for known and measurable rate base and expense items through September 30, 2022.

21. Of these two options, the OPC believes the first represents the best balancing of interests and administrative resources.

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<sup>1</sup> Please note that with the prior test year being the last twelve months **ending** September 30, 2020, a true-up through September 30, 2022, would result in the total effective test-year for just this case being the last **three years** ending September 30, 2022. The Commission should not be considering a three year test-year.

