BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

POSITION STATEMENT OF SPIRE MISSOURI INC.

Pursuant to the *Order Granting Extension of Time* issued by the Missouri Public Service Commission ("Commission") on July 15, 2021, Spire Missouri Inc. ("Spire" or "Spire Missouri") hereby submits its Position Statement in the above-captioned matter:

<u>Position Statement</u>:

This Position Statement follows the List of Issues filed by Commission Staff on July 16, 2021.

1. **Cost of Capital Issues:**

a. Capital Structure

The Commission should continue to use Spire Missouri Inc.'s actual capital structure of 54.28% common equity and 45.72% long-term debt as of the true-up period on 5/31/21. Use of the subsidiary capital structure was supported by the Commission's order in Spire Missouri's last general rate case.

b. Return on Common Equity ("ROE")

9.95% is an appropriate ROE and is consistent with the current ROE trends for natural gas utilities. [D'Ascendis Direct, Rebuttal and Surrebuttal Testimony; Woodard Rebuttal and Surrebuttal Testimony.]

c. Long-term Debt

The Commission should utilize a 3.99% cost of debt, which has been updated in true-up since the Company's filing position of 4.00%.

d. Short-term Debt

There is no reason to deviate from the Commission's longstanding precedent of excluding short-term debt from the capital-structure of major public utilities. Short-term debt should not be included in the capital structure used for ratemaking in this case. Spire Missouri's average short-term debt during the test year and true-up period was de minimis after netting it against short-term assets and considering $250M of net new long-term debt issued.

2. **COVID-19 Accounting Authority Order ("AAO")**

a. What is the appropriate amount of Spire Missouri's COVID-19 AAO the Commission should approve for recovery in Spire Missouri rates?

The balance for true-up at May 31, 2021 is $2,158,281 for Spire East, and $3,998,760 for Spire West. A portion of the balance includes recovery for estimated bad debt expense that resulted from COVID-19. As it will be impossible to determine what level of bad debt ultimately results from COVID-19 versus other causes, Spire would agree to a tracker for bad debt expense in order to prevent over or under recovery of the AAO deferral. However, Spire believes such a tracker should address all bad debt expense for Spire until the next general rate case, not just the portion estimated to be associated with COVID-19. [Krick Rebuttal at 15-17].

b. Should the unamortized balance of the COVID-19 AAO be included in rate base?

No. Spire is seeking recovery consistent with the Commission-approved Stipulation and Agreement in GU-2020-0376.

3. **Pension and OPEBs -- What level of pension contributions should be included in rates?**

The Company's pension plans should be funded at a level that is projected to achieve a 100% pension benefit obligation ("PBO"), or market-based funding levels, in five years for the pension plans. Funding at this level, among other things, will: a) Minimize long term costs to customers, while balancing against excessive short-term cost increases; b) Improve intergenerational equity by better aligning pension costs to customers receiving the services; and c) Carry out fiduciary duties in a more responsible manner on behalf of the plan participants and their beneficiaries. [Krick Direct at 12-15, Krick Rebuttal at 15-17, Krick Surrebuttal at 12-15.]

4. **Lobbying: Should lobbying costs be included in Spire East's and Spire West's cost of service?**

No. It was the Company's intent to remove lobbying costs. [Weitzel Rebuttal at 12].

5. **Dues and Donations -- What organization dues and donations should be removed from Spire East's and Spire West's cost of service?**

All civic organization expenses that have a direct and indirect benefit to customers should not be removed from Spire East's and Spire West's cost of service, including Greater Kansas City Chamber of Commerce, Missouri Chamber

Foundation, The Civic Council of Greater Kansas City, and St. Louis Regional Chamber. [Antrainer Rebuttal at 10.]

6. **PSC Assessment -- What is the proper methodology that should be used for the Missouri Public Service Commission ("PSC") assessment?**

The PSC Assessment should be calculated using a three-year average to represent the fluctuations in the PSC assessment from year to year. The three-year average of $4,118,947 proposed by Spire is a three-year cycle that includes an assessment after a rate case. [Weitzel Rebuttal at 12.]

7. **Credit Card Processing Fees:**

a. Should an amount be included in Spire East's and Spire West's base rates to account for fees incurred when customers pay by credit card?

Yes, the allocation of credit card fees should be included as part of the Company's cost of service and overall revenue requirement. This is consistent with the Commission's order in Spire's last general rate cases, GR-2017-0215/-0216, and this treatment benefits the customers' desire for convenience in paying their utility bills. [Antrainer Rebuttal at 3-6, Lavin Surrebuttal at 8-9.]

b. If yes, what is an appropriate amount to include in Spire East's and Spire West's base rates for credit card fees?

Based on the May 31,2021 true up expenses, Spire believes an adjustment is necessary and continues to work with Staff on the amount for both Spire East and Spire West. [Antrainer Rebuttal at 3-6].

8. **Cash Working Capital -- What is the appropriate expense lag days for measuring Spire's income tax lag for purposes of cash working capital?**

The appropriate lead days for income tax payments in calculating the cash working capital requirement is 38.00 days. The amount is based on the IRS payment schedule for income taxes.

9. **Severance Expenses -- Should Spire East's and Spire West's severance expense be included in cost of service?**

Yes. Severance agreements limit potential employment practices liability ("EPL") when an employee terminates employment under circumstances that could give rise to an EPL claim. Severance agreements permit Spire to obtain an advance release of these claims, and the severance expenses mitigate the legal costs Spire might otherwise incur to defend such claims. [Lobser Rebuttal at 4-5.]

10. **Red Tag Program -- Should the unamortized balance of Red Tag program be included in rate base?**

Yes. The Red Tag Program should be treated the same as other limited-income programs and a return should be earned on each of these regulatory assets. [Antrainer Rebuttal at 7.]

11. **Insurance Expense -- What amount of Insurance expense should be included in Spire East's and Spire West's cost of service in FERC account 925?**

Insurance premiums should be based on the most current annual premiums and related taxes as of May 31, 2021, as those costs are known and measurable. The costs should be adjusted for allocations and transfers. The insurance premiums are found in both account 925 and account 926. [Lobser Surrebuttal.]

12. **Injuries and Damages:**

Injury and damages claims should be based on actual claims paid for Spire Missouri East and West, net of reimbursements. As these can be relatively variable from year-to-year, Spire recommends the use of a three-year average ended May 31, 2021. [Lobser Rebuttal and Surrebuttal Testimony.]

13. **Incentive Compensation:**

a. Should the costs of Spire's Annual Incentive Plan ("AIP") be included in base rates?

Yes. There are many components of the incentive compensation AIP that support lower costs and are focused on customer benefit. [Weitzel Rebuttal at 11.]

b. Should the two new metrics Spire implemented in the fall of 2018 be included in base rates?

Yes. The two new metrics (1) utility contribution margin and (2) utility adjusted O&M per customer are appropriate to be included in base rates.

14. **Property Tax:**

a. What is the appropriate level of Missouri property tax to be included in rates?

Spire recommends the 2020 amounts for Missouri property taxes be included in rates along with a three year amortization of the property tax regulatory asset. For Spire East, rates would include $22,920,200 and Spire West rates would include $23,770,500 for property tax expense. [Kuper Direct at 2-3.]

b. What is the appropriate level of Kansas property tax to be included in rates for Spire West?

Spire agrees with Staff's recommendation to use a four-year average of $1,537,800 to include in rates.

c. Should the Commission discontinue the Missouri property tax tracker?

Y*es, Spire does not oppose discontinuation of the property tax tracker in Missouri. The Missouri property tax is primarily based on the amount of property (plant) in service within the state. The valuation of the property is relatively consistent year over year with increases driven by new assets being placed in service. [Kuper Rebuttal at 6-7, Kuper Surrebuttal at 7]*

d. Should the Commission discontinue the Kansas property tax tracker?

No, Spire recommends maintaining this tracker. The assets Spire has in Kansas consists solely of natural gas storage inventory, and the price of that inventory on hand is subject to change based on market conditions. The tax valuation of that inventory is based on its market price on a single day of the year, potentially leading to large volatility, as demonstrated by Winter Storm Uri, so a tracker is appropriate. [Kuper Rebuttal at 6-7, Kuper Surrebuttal at 7-8.]

15. **Capitalized Overheads**

Spire calculates its overhead capitalization rates in accordance with the Uniform System of Accounts, using a reasonable and acceptable approach that is consistent with historical practice. No changes are necessary to the overhead capitalization amounts given that Spire has followed proper procedure. Restricting Spire's ability to capitalize overheads would necessitate a substantial increase to

Spire's revenue requirement, as costs that are currently being allocated to capital and recovered over the life of those assets would instead be shifted to expense and recovered on an annual basis. No tracker or additional reporting mechanism should be added because they are unnecessary. Spire provides a summary of O&M expenses in quarterly surveillance reporting and FERC Form 2. A copy of the general ledger that has each and every detail that comprise O&M is also provided within each rate case. [Krick Rebuttal at 10-14, Krick Surrebuttal at 6-12.]

16. **Net Operating Loss ("NOL") Carryforward**

The rate base offset for the depreciation deferred tax is created by having accelerated depreciation/bonus depreciation. The accelerated depreciation and bonus depreciation also creates the NOLs. To the extent the accelerated/bonus depreciation created the NOL, the NOL is used as an offset. The IRS uses a with-and-without concept regarding the NOL offset—if one computes the NOL with accelerated/bonus depreciation and then computes it without accelerated/bonus depreciation, to the extent the accelerated/bonus depreciation created the NOL, it is treated as an offset. Thus, Spire properly included the NOL as a rate base offset. [Kuper Rebuttal at 5-6, Kuper Surrebuttal at 1-4.]

17. **City Earnings Tax:**

a. What level of city earnings tax should be included in Spire East's and Spire West's cost of service?

City earnings tax for both Spire East and Spire West at 1% of Spire Missouri Inc.'s reported taxable income should be included in the cost of service. The effective City tax rate is 0.33%.

b. Should the City Earning Tax be included in the effective tax rate calculation?

Yes, this should be treated like federal and state income taxes.

18. **Gross Receipts Tax (GRT):**

There are two GRT-related issues in this case—the first being whether Spire properly issued its ISRS court-ordered refund in view of how the refund was calculated on customer bills, and the second being whether Spire properly calculates GRT correctly across its customer base.

Regarding the ISRS refund, Spire handled the ISRS refund in line with the terms in the settlement (which were silent on the issue of taxes) and in line with how the majority of taxing jurisdictions view GRT (as a component of revenue).

Regarding how GRT is billed, approximately 80% of taxing jurisdictions in Spire's service area treat gross receipts tax as a component of gross revenue. In those jurisdictions, Spire properly grosses up the GRT portion in its calculation of revenue. It would be improper to remove the GRT as a portion of revenue in calculating the amount owed. [Kuper Rebuttal at 7-10, Kuper Surrebuttal at 4-7.]

19. **Corporate Allocations/Affiliated Transactions:**

The costs reflected in Spire's filing are consistent with the Missouri affiliate transactions rule and the Company's approved CAM. Missouri customers further benefit from the way Spire's costs are shared by other affiliates, and are protected by the Company's adherence to the methodologies reflected in its CAM. No adjustment is reasonable or appropriate. [Krick Direct at 3-11, Krick Rebuttal at 1-9, Krick Surrebuttal at 1-6].

20. **What billing determinants and revenue should be ordered in this case[1]?**

a. Should a weather normalization and days adjustment be applied to the Residential, Small General Service and the Large General Services Classes?

Yes. Based on the 1981-2010 data from the National Oceanic and Atmospheric Administration, Spire experienced 2% warmer than normal weather during the test year, based on a 30-year average of heating degree days. The revenue adjustments for the Residential SGS and LGS classes are shown in Schedule H2-Rev2, Line 3. [Mueller Direct at pp. 3-4; Antrainer Surrebuttal at pp. 7-8.]

b. Should a weather normalization factor be applied to Spire East and Spire West Large Volume Customer's and Interruptible monthly usage?

No. There is a weak correlation between weather and gas usage for these classes. [Mueller Rebuttal at 3].

c. Should customer growth adjustments be applied to the Residential class?

Yes. Schedule WES-1, Subschedule H2-Rev2 adjusts revenues to an annualized level to reflect annualized customer changes within the Residential and SGS customer classes, based on the average annual number of customers for the period ended September 2019 compared to

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[1] Spire notes that there were errors found when reviewing Staff's billing corrections calculations including incorrect volumetric rate and customer charges from cancelled bills being added rather than subtracted from the calculation, among other and this issue has not yet been corrected. [Mueller's Rebuttal at 1]

the average annual number of customers for the period ended September 2018. [Mueller Direct at p. 6.]

d. **Should a growth adjustment for Spire East's and Spire West's Small General Service and Large General Service rate classes be applied?**

As described in Sub-issue 20(c), Spire adjusted revenue to an annualized level to reflect annualized customer changes within the SGS customer class. [Mueller Direct at p. 6]. [Spire did not make a "growth adjustment" for the LGS rate class, but made an adjustment for customer rate switching between the SGS and LGS rate classes, as discussed below].

e. **Should an adjustment be made for customers switching rate classes during the test period?**

Yes. Spire's proposed adjustment for rate switching is shown in Schedule WES-1, Subschedule H2-Rev2. [Mueller Direct at p. 6-7.] The adjustment includes an adjustment for customers switching between SGS and LGS based on tariff requirements. [Weitzel Rebuttal at 22; Weitzel Surrebuttal at pp. 2-3.]

f. **Should an adjustment to billed usage be made for non-residential customers who the Company has estimated will switch rate classes based on new rates approved in this case?**

No. As explained in the Surrebuttal Testimony of Scott Weitzel, Spire did not make its rate switching adjustments based on "expected" rate switching. [Weitzel Surrebuttal at pp. 2-3].

g. **Should an adjustment to billed usage be made for conservation as proposed by the Company?**

Yes. Schedule WES-1, Subschedule H2-Rev2 and Schedule SAW-R1 contain the proposed adjustment for the normalization of base revenues due to customer implementation of energy efficiency and conservation measures. The Company is currently losing approximately 1% of load per year as a result of conservation through energy efficiency improvements and should not experience detrimental rate impacts as a result of these important initiatives. [Mueller Direct at p. 8; Weitzel Rebuttal (131) at pp. 21-22.]

21. **Propane Facilities -- Should Spire's propane assets, revenues, and expenses remain in its cost of service?**

No. Spire has fully retired its propane vaporization facilities and has physically disconnected from all sources of propane supply [Weitzel Rebuttal at p. 5; Noelker Rebuttal at pgs 3-5.] These assets are no longer used and useful for utility service. Accordingly, Spire removed propane expenses and propane from inventory (rate base) in its revenue requirement model. Spire's election to remove its propane peaking facilities from its supply resources is consistent with what several other Missouri gas utilities have done in the last several years. These propane peaking facilities are outdated and have the potential to create operational issues for some of Spire's industrial and CNG customers. [Weitzel Rebuttal at pgs. 4-5.] Moreover, the propane heating and vaporization assets at the Lange Storage Facility have been removed and repurposed, and the pumps that delivered liquid propane from *the cavern to that equipment are no longer in service. The source of liquid propane at the Catalan Plant has also been physically disconnected from the heating and vaporization facilities, and therefore these assets are no longer used and useful in providing service to Spire's customers. [Weitzel Rebuttal at p. 5; Noelker Rebuttal at pgs 3-5.] In addition, the use of propane was removed from Spire's supply strategy for the 2020-2021 winter season. [Noelker Rebuttal at 4.] Even if the equipment was reconnected, vaporization could not occur at the Catalan Plant in the future. The pipeline used to transport liquid propane from the cavern to the Catalan Plant is owned by Spire NGL, and Spire NGL is retiring a portion of the pipeline that connects the cavern to the Catalan Plant for integrity issues. This retirement is planned for August 2021, and once this section of the pipeline is retired and abandoned, it will be not be possible to transport liquid propane to the Catalan Plant. [Noelker Rebuttal at p. 5.] For all of these reasons, Spire's propane assets are no longer used and useful in providing service to customers, and should therefore not be included in Spire's cost of service.*

22. **Research and Development Allowance -- Should an allowance of $1 million for research and development costs be included in Spire's cost of service?**

Yes. 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.

23. **Rate Case Expense**

Spire maintains that rate case expense should be addressed utilizing the same methodology discussed and ordered by the Commission in its last general rate *cases, GR-2017-0215/GR-2017-0216. In that proceeding, the Commission directed that Spire should receive rate recovery of 50% of its rate case expenses except the cost of customer notices and the depreciation study, which will be wholly included in rates. (GR-2017-0216 Amended Report and Order, pg. 55.) Spire believes it to be appropriate to amortize rate case expense over three years, as proposed in its direct case. [Weitzel Surrebuttal at p. 22.]*

24. **Depreciation**

Several issues have emerged that are relevant to the topic of depreciation, including the following:

- ***What depreciation rates should the Commission order Spire to use?***
  - *The Commission should adopt the depreciation rates set forward in Spire Witness Spanos Schedule JJS-R2 which is the Company's 2020 Depreciation Study.*
- ***Should the Commission approve general plant amortization for Spire's accounts and, if so, what conditions, if any, should the Commission impose?***
  - *The Commission should adopt the rates set forward in Schedule JJS-R2 because they reflect more current information and analysis.*
- ***Should the Commission authorize a change in the amortization period related to the Enterprise Information Management System?***
  - *Yes. In Case No. GO-2012-0363, an average life of 15 years was recommended based on the expected life of the soon to be installed Enterprise Software. At the time the software applications were being fully*

integrated in 2012, the expectation was that applications would be in service for 15 years. Similar to many other utilities, the software applications are continually being upgraded and the functionality of each application is being improved to handle more applications. Therefore, the service life for the original and subsequent applications is not reaching the 15-year threshold that was originally planned. Because depreciation should match recovery to utilization of an asset systematically and rationally, an average life of 10 years is recommended.

- ***Should the Commission order a depreciation rate change for account 381.1 smart meters and account 382.1 smart meter installations that was ordered in Case No. GO-2020-0416?***
  - *While the Company's depreciation study supports a depreciation rate change for accounts 381.1 and 382.1, the Company will maintain depreciation rates as ordered in Case No. GO-2020-0416 at this time. The Company reserves the right to request adjustment of the depreciation rate for these accounts in future rate cases. [Spanos Rebuttal at 19].*

25. **Should the revenue requirement reflect a disallowance of costs and expenses associated with all investment related to CCN Case Nos. GA-2020-0105, GA-2019-0226 and GA-2019-0210 in excess of the capacities assumed in the economic modeling in the underlying CCN?**

Yes, but only for one of these cases (GA-2019-0226) and not for the other three (GA-2019-0210, GA-2020-0105 and GA-2020-0235). For these three CCNs, the documentation submitted by Spire to Staff during the approval process explained that *only one customer on each project would be connected to Spire's system during the first three years following the project completion. These customers began service in July 2020, September 2020, and January 2021 for Case Nos. GA-2019-0210, GA-2020-0235 and GA-2020-0105. Since it has not been three years since project completion, an excess capacity adjustment for these CCNs is not appropriate at this time.*

For Case No. GA-2019-0226, this CCN did anticipate additional customer connections that have not yet materialized. As such, for this CCN, the excess capacity adjustment proposed by Staff appears appropriate. (Antrainer Rebuttal at p. 4)

26. **Ultrasonic Meter infrastructure:**

> *Staff and OPC recommend that Spire's investments in advanced ultrasonic metering devices ("AMI") be disallowed from Spire's rates and rate base. Spire believes that these devices provide critical safety and accuracy advancements for customers, and are appropriate for inclusion in its cost of service. Moreover, diaphragm meters are quickly being removed from the market and will no longer be available in the future.*
>
> *There are four key benefits of ultrasonic meters that are not at all dependent on any network: (1) customer safety, (2) employee safety, (3) increased accuracy, and (4) reliability.*
>
> *The ultrasonic meter uses ultrasonic measurement technology, which is 20 times more accurate than diaphragm technology, and the accuracy does not degrade over time. The ultrasonic meter has no moving parts, which greatly improves the reliability of the device. The ultrasonic meter has an integrated network module which makes the meter one unit and eliminates the disparate*

vintages of meter and module. The integrated module is programmed when the device is manufactured, and eliminates the programming accuracy of the meter to the module by Spire technicians.

The ultrasonic meter measures usage in real-time and has a built-in internal shut-off valve. This allows for the following safety benefits:

- *Auto shut-off for high flow on the customer system.*
- *Remote shut-off when hazardous condition is reported or discovered in the customer premise.*
- *Auto shut-off if the meter reaches a temperature of 176 degrees.*
- *Auto shut-off for high inlet pressure is coming in the next generation. (Rieske Surrebuttal at pgs 8-9.)*

These devices will prevent fires and explosions, at minimal incremental cost. Moreover, Spire received notification from its current Missouri East vendor, Landis & Gyr, that the agreement for network meter reading will not be renewed, and will terminate effective April 1, 2025.

27. **Automated Meter Reading Opt-out Tariff:**

Spire's Automated Meter Reading Opt-Out Tariff permits customers to opt-out of using an automated meter reading device. Spire seeks to change the name of its Rules and Regulations, Sheet No. R-7 from "Adjustment for Heat Content" (formerly applicable to Spire East Only) to "Automated Meter Reading Opt-Out Charge" to bring this particular section of its Rules and Regulation under one Spire Missouri Inc. This rule also allows residential customers the option to refuse the installation of remotely-read metering, or to request the removal of previously *installed remotely-read metering, which is similar to opt-out provisions approved for Missouri electric utility companies. R-7 also provides a mechanism for the Company to bill customers who desire a manual meter read, and furthers the Company's attempt to move from Therms to Ccf across its territory.*

28. **Gas Supply Incentive Plan ("GSIP"):**

a. Should Spire East continue its current GSIP mechanism?

Yes, the GSIP gives Spire the ability to buy gas below the market price which can benefit the customers. [Weitzel Rebuttal at 15-16, Weitzel Surrebuttal at 11-13.]

b. Should Spire East's GSIP be expanded to include Spire West's gas supply portfolio?

Yes, the GSIP gives Spire the ability to buy gas below the market price which can benefit the customers and would allow for consistency across Spire's state-wide territory. [Weitzel Rebuttal at 15-16, Weitzel Surrebuttal at 11-13.]

c. If the Spire East GSIP continues or is expanded to include Spire West, what modifications, if any, should be made?

Adjustments should be made to tier levels to account for recent market conditions. The Benchmark should also be updated to reflect current pipeline transportation agreements

29. **Purchased Gas Adjustment ("PGA"):**

a. Should the Company consolidate its Spire East and Spire West Purchased Gas Adjustment (PGA) clauses into one PGA clause?

Yes, Spire is proposing a single PGA and ACA rate, which will eliminate the three currently existing PGA rates and five ACA rates in Eastern Missouri. Spire is also *proposing certain modifications and enhancements to its PGA. As with the consolidation of other rates, eliminating multiple PGA rates and establishing one consistent rate will reduce a portion of the administrative requirements in tracking and reporting separate areas for both the Company and its regulators. When Spire buys gas, puts on a hedge position, or signs a contract with a pipeline, anywhere in the state, it does so under the legal entity Spire Missouri Inc. Following such transactions, Spire must currently take an additional step to separate all these costs to artificially break out the east/west designation for Commission review. Additionally, currently Spire files two PGA and two ACA cases with the Commission. The use of a single PGA will permit all Spire customers to benefit from increased purchasing power and negotiation of discounts on particular pipes and creates regulatory efficiency. [Weitzel Direct at 13-22; Weitzel Rebuttal at 13-14; Weitzel Surrebuttal at 10-11.]*

b. Should the Company institute seasonal PGA rates that develop separate rates for customers who consume comparatively more natural gas in the summer?

Yes, Spire proposes calculating a separate PGA tariff excluding transportation/capacity costs, like the current Interruptible PGA rate. This is only a seasonal PGA rate and it will not impact a customer's non-gas rate schedule. [Weitzel Direct at 13-22; Weitzel Rebuttal at 13-14; Weitzel Surrebuttal at 10-11.]

30. **Rate adjustment mechanism to account for weather, conservation, or both.**

Spire agrees with Staff that this type of mechanism would allow consideration for both conservation and weather to be part of the analysis and should be approved in this rate case, replacing the current WNAR. In order to develop a baseline for *the RNA, it is appropriate to account for conservation, and a conservation adjustment achieves that purpose to establish the correct baseline in the test year. The Commission should allow Spire to implement the RNA with a block break of 30 ccf for the residential class and 100 ccf for the SGS class. [Mueller Direct at 3-6, 8; Weitzel Rebuttal at 20-2; Weitzel Surrebuttal at 20-23.]*

31. **Economic Development Rider ("EDR") – What if any changes should the Commission approve to the EDR?**

Spire maintains that its proposed EDR should be implemented as written. Spire believes the usage threshold should be reduced to attract and retain businesses in Missouri. Currently, there is little involvement in this program because the usage requirements are so high. Spire believes that increasing the discount levels will result in increased program participation, and that increased participation in the EDR will result in greater efficiencies and higher utilization on Spire's system. Creating a new separate tariff would only delay the benefits of Spire's incentive EDR; this rate case includes a review of all of Spire's tariff and is therefore the appropriate forum for Commission review of the EDR. [Lavin Surrebuttal at pgs. 5-6.]

32. **Negotiated Gas Service Rider ("NGSR") – What if any changes should the Commission approve to the NGSR tariff?**

The NGSR tariff as discussed in the Supplemental Direct Testimony of Scott Weitzel at pages 15-16 should be implemented. The Company's proposed change to include a third purpose for its NGSR, "Third, the tariff can also be used for grid resiliency, distributed generation, and emergency back-up systems" is appropriate *because promoting grid resiliency, distributed generation, or emergency back-up contributes to the reduction in emissions and improves energy resiliency and this is beneficial to the customer, Company and the state of Missouri. This change assists in developing rates to support these three initiatives and would offer negotiated rates if customers were going to leave Spire as a customer or substantially reduce their load, which is the purpose of the NGSR. However, Spire can agree with Staff's interpretation that these three initiatives are included in the current tariff's second purpose and remove its proposed language. [Lavin Surrebuttal at pg 7.]*

33. **Miscellaneous Charges -- Is the Company proposing to increase certain miscellaneous charges in this case?**

Yes. Spire proposed increases for its Collection Trip Charge and its Customer Reconnection Charge. Spire is proposing a slight increase in the Collection Trip Charge to align with the cost of that service under its current vendor contract for this work, and that the Disconnection Charge be a new cost component of the Reconnection Charge. Spire is proposing that the current Disconnection Charge and the Reconnection Charge be combined for a total of $95. [Antrainer Surrebuttal at pages 4-5.]

34. **Cash-Out Balancing -- Should cash-out balancing of transportation customers, similar to what is currently used in Spire West, be made applicable to both Spire East and Spire West?**

Yes. The cash-out balancing of transportation customers should be made applicable to Spire East and Spire West. This is consistent with Spire's approach *to bring as much continuity to customers across its entire service territory. Staff is supportive of the cash-out balancing provisions for transportation customers in Spire's proposed Transportation Tariff. [Keathley Surrebuttal at p. 2.]*

35. **Proposed Carbon Neutral Initiative program**

Spire proposes offering a voluntary carbon offset program for natural gas usage. This program will allow Spire customers the ability to fully eliminate the average carbon footprint for their natural gas usage over time. Voluntary participation for this program is proposed to begin at $4 per month, an amount that would allow Forest ReLeaf of Missouri (a nonprofit community-assisted tree nursery), to plant trees in Missouri to offset a customer's approximate annual natural gas carbon footprint over the 30-year life of the trees. The proposed tree-based carbon sequestration will be verified by i-Tree, a state-of-the-art, peer-reviewed software suite from the USDA Forest Service that provides urban and rural forestry analysis and benefits assessment tools. The i-Tree tools can help strengthen forest management and advocacy efforts by quantifying forest structure and the environmental benefits that trees provide. The monthly customer charges for customers who elect to participate will be $4 per month starting on the effective date of this program. The monthly charge includes the price of the trees, planting, and 20% in administration and marketing costs. [Weitzel Direct at 27-29].

36. **Proposed Renewable Natural Gas ("RNG") program**

Spire recommends that the Commission approve its proposed RNG tariff. The blended rate proposed by Spire will lead to minimal customer bill impact. A specific RNG rate will be posted and filed as part of the RNG PGA tariff. The levels of *participation, 10%, 25%, 50%, or 100% of average usage are clearly spelled out in the tariff language. Spire expects that RNG procurement will be subject to prudence and compliance review within the applicable ACA period. All renewable energy incentives would remain with the customer as provided in the tariff. The RNG tariff does not include any Spire recoupment of investment or capital; if Spire did make any investment in RNG it would be outside the scope of this tariff and this investment would be discussed with the Commission Staff. Further, gas quality is not an issue at this time because Spire currently has no RNG facilities directly connected to its distribution system. Any RNG purchased by Spire at this time would be purchased on interstate pipeline systems subject to specific FERC tariffs regarding gas quality. [Weitzel Surrebuttal at pages 26-27.]*

37. **Renewable Natural Gas (RNG) Procurement**

Spire's proposal to procure up to 5% of its gas supply from renewable sources should be approved. Purchasing up to 5% of RNG into the overall PGA will have a minimal impact on the overall PGA rate, and our customers have indicated that they want RNG. [Weitzel Surrebuttal at pages 28-29.]

38. **Rate Schedule Elimination -- Should the Vehicular Fuel, Interruptible, and Large Volume (LV) rate schedules be eliminated as Spire proposes?**

Yes. The Vehicular Fuel and Interruptible rate schedules only apply to the Spire East tariffs. The Vehicular Fuel currently serves only a handful of customers which would experience no detriment if moved to another tariff such as Spire's Small General Services tariff. Spire supports the elimination of the interruptible rate schedule. As noted in its direct case, current interruptible customers can migrate *to Spire's proposed Seasonal tariff. [Selinger Direct at p. 19; Weitzel Rebuttal at p. 9].*

39. **Seasonal Rate Schedule -- Should a Seasonal Tariff rate schedule as Spire proposes be promulgated?**

Yes. Spire is proposing to make several changes to the structure of its rate classes by adding a seasonal customer 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. [Selinger Direct at 18-19 and 27-28.].

Spire supports a slight adjustment from the tariff as submitted in Sheet No. 7 ("Seasonal Service") to carveout the city of Wheaton, which is not in the Company's certificated area, to allow it to continue to operate with its legacy rate class. [Weitzel Surrebuttal at 3-4.] Spire is willing to work with Staff to ensure this customer is not stranded.

40. **Multifamily Developer Subsidy**

Spire 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, Spire 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 Spire's existing customers by spreading the fixed costs of the Spire's distribution system across a larger customer base.*

Under Spire'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." [Selinger Direct at 31-38, Lavin Surrebuttal at 3-7.]

41. **Facilities Extension Tariff -- What changes should be made to the Facilities Extension Tariff provisions?**

Spire proposes amending Tariff R-15.2 to remove limiting language to Paragraph E. Currently, the Tariff limits free extensions only to prospective customers whose annual consumption exceeds 6,000 therms/Ccf. By proposing to remove this limitation from Spire's tariff, Spire is able to better address mixed-use developments that combine both residential and commercial aspects of the tariff. The discretion referenced in the tariff provides Spire with the ability to utilize the economic model, instead of relying only on the fixed main and service footage allowance. This model considers the specific project costs, customer usage and corresponding revenues to determine the rate of return, which is then compared to the Spire's threshold and allows Spire to determine if a customer contribution is needed. [Antrainer Surrebuttal at 2-3.]

42. **Growing Missouri Tariff**

Spire's proposed Growing Missouri Program is designed to encourage industrial development, rural growth expansion, and job creation by providing an opportunity *for Spire to extend gas service to rural expansion projects which do not currently meet Spire's threshold for rate of return. The Growing Missouri Program would allow Spire to consider factors outside of purely financial benefits, including specifically benefitting underserved communities. These capital expenditures would be submitted for recovery as part of the normal rate case process in the future*

43. **Customer Choice Provisions -- Should the "Customer Choice" provisions Spire proposes be promulgated?**

Yes. The two pilot rate options for residential customers proposed by Spire will allow Spire to assess customer responses to these alternative rate options. The first option includes the average residential cost of service into a single fixed charge of $40.50. The second option is more usage-based and features a reduced customer charge and higher volumetric charges. There may be financial benefits for certain customers under either of the two proposed options depending upon their gas usage and preference.

44. **Residential Retention Optional Schedule -- Should Staff's recommended Residential Retention optional schedule be promulgated?**

No. Spire does not believe that a residential retention schedule is appropriate at this time because there is not a cap or limit on annual usage, it is unknown how frequently customers are allowed to move on and off the rate, and Staff's "safety net" is on a forward perspective and does not address loss of revenue for that month or previous months. Further, it is not possible or practicable for the Company to identify specific assets on our books that serve particular customers, *and Spire would be required to undertake substantial IT programming to implement the program, with unknown costs.*

Moreover, Staff's allegations regarding customer attrition are not as significant as Staff suggests, and the data provided by Spire regarding new residential meters installed for the January 2017 through March 2021 time frame should de-escalate the attrition concerns. Furthermore, the availability of this schedule would be difficult to communicate to customers and set up in Spire's system. [Weitzel Rebuttal at p. 4.]

45. **Miscellaneous Tariff Issues:**

a. Should the rates resulting from this case be promulgated as one rate book or two rate books?

Rates resulting from this case should be promulgated into a single rate book. Spire Missouri seeks to become a more unified Company in this rate case as a continuation of its unification efforts in its last general rate case. One combined book promotes easier access to the Company's tariff, simplifies customer service, and is closer to the idea that Spire Missouri Inc operates as one Company across the state of Missouri, and creates regulatory efficiencies that allow for one filing of each type of case. [Weitzel Direct at 4.]

b. Should the rates applicable to each class of service be consolidated across rate districts?

Yes. Spire started taking that journey last rate class by having a residential, SGS, LGS, and LV rate for both sides of the state, and it should continue in this case.

c. Should Tariff Sheet No. R-6.3 add the words "property" and "(which may be combined into one line item for "taxes")" to "License, occupation, gross receipts, franchise and sales taxes; and…"?

Yes, this change would give the Company the option to more equitably distribute property tax charges. [Weitzel Supplemental Direct at 11-12.]

d. Should Tariff Sheet No. R-8 change the word "shall" to "may" and add "or (2) gas resold or submetered at no mark-up, with prior express consent of the Company"?

Yes. This rule change allows the Company to accommodate natural gas usage in certain multi-family developments where it is only practical to have one meter. Changing "shall" to "may" gives the Company discretion when to perform work on customer piping and equipment and allows for scheduling flexibility and discretion as to the amount of work involved and the credit approval of the customer. The added language ensures that such installation only occurs with the Company's permission, where it can be accomplished safely, and ensures that end users are not charged any mark-up on the re-metered gas. These changes allow the Company to respond to requests from real estate developers or multi-family dwelling building managers, which are infrequent and would only apply to unique situations. [Weitzel Supplemental Direct at 6.]

e. Should Tariff Sheet No. R-9 add the provision, "The Customer shall be solely responsible for the operation, maintenance, and repair of his piping and appliances beyond the meter outlet, and Company shall have no liability to Customer or any third party arising out of or relating thereto"?

Yes. The added provision, "at least annually, the Company shall attempt to secure an actual meter reading from customers reporting their own usage, and if customer fails to report usage to the Company, it shall obtain a meter reading at least annually" is consistent with Commission Rule 20 CSR 4240-13.020(3). Additionally, the added language of, "The Customer shall be solely responsible for the operation, maintenance, and repair of his piping and appliances beyond the meter outlet, and Company shall have no liability to Customer or any third party arising out of or relating thereto", more explicitly and concisely informs the customers that the Company's piping maintenance obligation, and corresponding legal duties, are determined by the facility ownership and helps to reinforce the importance for Customers to maintain their customer-owned piping and appliances. [Weitzel Supplemental Direct at 6-7.]

f. Should Tariff Sheet No. R-17 change steps of curtailment, move transportation customers to be curtailed after schools, and delete the provision "Step 2. All sales service to both firm sales customers and firm transportation customers with alternate fuel capabilities is to be curtailed to the extent of such alternate fuels."?

No. The Company deleted "interruptible and basic transportation customers' in Step 1 and proposed to delete Step 2 in its entirety to be consistent with the Company's proposal to change rate classes in this rate case. Spire does not intend to curtail firm service sales customers before transportation customers. [Weitzel Supplemental Direct at 15.]

g. Should Tariff Sheet No. R-25 delete the majority of the "Usage Estimating Procedure"?

Yes. The Company's proposed Tariff Sheet No. R-25 aligns with 20 CSR 4240-13.020(2)(C)(1), which allows the Commission to approve an estimating procedure such as "Whenever it is necessary to estimate a particular customer's monthly consumption, such consumption shall be estimated based on historical usage date for the customer's location, if available. Where historical usage data at the customer location is not available, the customer's estimate will be based on average usage data for similarly situated customers." While the Company deleted portions of R-25, much of the language is similar to the current version of this rule, and significantly only keeps a complex formula to estimate a customer's bill out of the current tariff sheet. [Weitzel Supplemental Direct at 8-9.]

h. Should any other rules and regulations tariff sheet not specifically listed in this list of issues be changed?

Yes. Spire provided a new set of its Rules and Regulations that should be approved because many of those not specifically identified in this list of issues include minor revisions that will provide clarity to customers and bring the Company's Rules and Regulations into better alignment with the Commission Rule 20 CSR 4240-13 ("Chapter 13") Rules and Regulations. These changes are supported by Spire Witness Weitzel's Supplemental Direct Testimony, but Spire will highlight a few in this position statement. For example, Sheet R-3 ("Definitions") seeks a change in definitions to add definitions for "business day" and "working day" and seeks for these definitions to be interchangeable.

Additionally, the Company should be allowed to use "due date" on its bill and delete any reference to "delinquent date" within its Rules and Regulations. Another example is Tariff Sheet R-13 "Company Inspection of Customer Premises" wherein the Company seeks to delete the requirement that it act within four days after the Company receives notice that a customer intends to vacate the premises occupied to shut off the gas supply. The Company seeks this change to allow it more control and flexibility to perform the inspections and shut offs, and to align field practices across the state*. These changes and many of the others the Company proposed to make in its Rules and Regulations better serve the customer and align with the Company's practices and procedures. [Weitzel Supplemental Direct.]*

46. **Should the Intrastate Transportation tariff be eliminated?**

The Company supports maintaining the Intrastate Transportation tariff.

47. **Spire West Non-Residential Rate Design -- What appropriate steps should be taken for Spire West non-residential rate design?**

Spire believes a charge of $35.00 to be appropriate for <u>all</u> of its SGS customers.

48. **Spire East Non-Residential Rate Design -- What appropriate steps should be taken for Spire East non-residential rate design?**

Spire believes a charge of $35.00 to be appropriate for all of its SGS customers.

49. **Change from Therms to Ccf -- Should Spire East's basis for sales determinants be changed from Therms to Ccf?**

Currently, Spire East bills customers on a per therm basis, while Spire West bills its customers on a per Ccf basis. As Spire is proposing to move to one set of tariffs, it is necessary to have consistent measurement units for bills state-wide; therefore, *Spire proposes to move Spire East billing units to a per Ccf basis. For the Company this proposed change would make it easier to track and to reflect lost and unaccounted for gas on a consistent basis. It would also allow the Company to produce more consistent financial and operational data for the Commission as well as for other third parties. For the customers, having uniformity with usage tracking and subsequent billing methodologies across service territories will provide less confusion if a customer were to move from the west side of the state to the east. Another benefit to the customer is less confusion when reviewing their bill because there will no longer be a BTU conversion factor to try to decipher and understand. [Lavin Direct at 13-15, Lavin Surrebuttal at 1-2.]*

50. **Interclass Revenue Responsibility –**

The revenue targets for Spire West's SGS and LGS rate classes should reflect the results of Spire West's CCOS study. The results of Spire West's CCOS study show that the cost of service for the SGS rate class is higher than the LGS rate class.

51. **Residential Rate design**

The appropriate rate for the Spire East and Spire West's residential customer charge is $22.00 per month. The rate reflects the customer cost per month.

52. **Class Cost of Service – How should (1) gas storage and inventory; (2) income taxes; and (3) distribution mains be allocated among the classes?**

(1) The appropriate method to allocate underground storage costs, gas inventory costs and propane inventory costs across the Company's rate classes is based on

each rate classes' share of their utilization of underground storage, gas inventory and propane inventory resources. Since the transportation class does not utilize underground storage, gas inventory nor propane inventory resources, then it is not appropriate to allocate such costs to the transportation class.

(2) The appropriate method to allocate income taxes across the Company's rate classes is based on each rate classes' share of net income.

(3). The appropriate method to allocate distribution mains across the Company's rate classes consists of two steps: (1) classification of mains into customer- and demand-related costs; and (2) allocation of mains across the Company's rate classes.

The appropriate method to classify mains into customer- and demand-related costs is to use the zero-intercept or zero-inch method. The method is consistent with the Company's previously filed Class Cost of Service (CCOS) study, is recognized by NARUC and other utility rate design authorities, reflects the planning of distribution mains, and better reflects the underlying cost of service.

The appropriate method to allocate mains across the Company's rate classes is to allocate customer-related costs based on the number of customers, and to allocate demand-related costs based on each rate classes' responsibility to the peak day or design day demands of the system. [Lyons Testimony.]

53. **Low income Programs:**

Program Name:

The Commission should approve Spire's proposal to change the name of its "Low Income Energy Affordability Program" to "Payment Partner Program" because this title provides a more accurate description of the program and its benefits to the customers and is more user friendly moving forward. [Lavin Direct at 9.]

Federal Poverty Level:

Spire's proposal to expand the eligibility of the Payment Partner Program from 185% to 200% below the Federal Poverty Level "FPL" should be approved because it expands eligibility so that more customers will have access to and benefit from access to an affordable energy source that provides safe and adequate service. [Lavin Direct at 13.]

Annual Change in Funding Levels:

Spire's proposes to combine and slightly increase the annual funding level to one total amount for the Company's East and West service territories in the amount of $1.7 million, rather than the current funding level of $900,000 for Spire East and $750,000 for Spire West because this combination and slight increase will create uniformity across the state and allows Spire to spread resources across the Company's entire service territory. [Lavin Direct at 11.]

Fixed Charge Assistance:

There should be one monthly credit to eligible customers in the amount of $35.00 to create uniformity in billing and certainty to the customers as to what will be included in their bill, as opposed to the current amount that includes a different *amount for the period of November through April.[Lavin Direct at 11; Trachsel Rebuttal at 12, Trachsel Surrebuttal at 2.]*

Red Tag Program

Spire should be allowed to increase eligibility for the Red Tag Repair Program from 185% to 200% of the FPL to pen up eligibility for customers. Additionally, the annual total funding for this Program should increase from $100,000 to $250,000 to credit customers or reimburse qualified social service agencies that can provide, or arrange to provide, and pay for emergency service work. [Lavin Direct at 13.]'

Energy Efficiency

<u>High Energy Efficiency Rebates</u> - The Commission should approve Spire's proposed increase to its high energy efficiency rebates to further incentivize investment in energy efficiency appliances and make installation of high energy efficiency appliances more affordable to Spire's limited-income customers as set forth in the direct and surrebuttal testimony of Shaylyn Dean [Dean Direct, and Surrebuttal at 1].

<u>Commercial and Industrial Custom and Energy Audit Programs</u>

The Commission should allow Spire to modify the program payback period from two years to one year to facilitate projects in moving forward. [Dean Direct, and Surrebuttal at 2].

<u>Treatment of Unspent Multi-Family Low-Income Funds</u> – the Commission should allow Spire to rollover unspent funds for all energy efficiency portfolio programs into the next program year. [Dean Surrebuttal at 4].

54. Bad debt and uncollectibles

Spire agrees with Staff's calculation of uncollectibles. The use of a three-year average necessarily smooths variability in the uncollectibles due to the pandemic or otherwise. Spire would agree to a tracker for bad debt expense in order to prevent over or under recovery of the AAO deferral. However, Spire believes such a tracker should address all bad debt expense for Spire until the next general rate case. [Krick Rebuttal at 15-17].

WHEREFORE, Spire respectfully submits its Position Statement for the Commission's review and consideration.

Respectfully Submitted,

/s/Goldie T. Bockstruck

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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served, either electronically or by hand delivery or by First Class United States Mail, postage prepaid, to the parties of record as set out on the official Service List maintained by the Data Center of the Missouri Public Service Commission for this case, **on this 19th day of July, 2021.**

s/ Lew Keathley