BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Spire Missouri, Inc. d/b/a Spire for Approval To Establish an On-Bill Financing Program And Cost Recovery Mechanism	))))	File No.: GO-2021-0126

RESPONSE OF SPIRE MISSOURI INC. TO STAFF'S RECOMMENDATION

COMES NOW Spire Missouri Inc., ("Spire" or "the Company") and, in response to the Staff of the Missouri Public Service Commission's ("Staff") Recommendation filed on February 26, 2021, the Company states as follows:

BACKGROUND

1. On October 30, 2020, Spire filed its Verified Application to Establish a Pay as You Save® ("PAYS") On-Bill Financing Program and Cost Recovery Mechanism with the Missouri Public Service Commission ("Commission"). The Company also filed the supporting direct testimonies of Wesley Selinger and Shaylyn Dean along with its proposed program and cost recovery mechanism tariffs.

2. On November 13, 2020, the Office of the Public Counsel ("OPC") filed an *Objection and Motion to Dismiss* the Company's filing, claiming Spire's filing lacked program detail and that the Commission did not have authority to approve the Company's proposed cost recovery mechanism. The Company and Staff responded to OPC's Motion to Dismiss on November 23, 2020.

3. Meanwhile, on November 20, 2020, Spire, Staff and OPC filed a *Joint Proposed Procedure* to allow the Parties[1] additional time for discovery and discussions surrounding Spire's proposal to implement a PAYS On-Bill Financing Program. The proposal allowed Staff additional

[1] "The Parties" include Staff, OPC, Renew Missouri, and Consumer's Council of Missouri

time to file its Recommendation while the Parties engaged in further discussions. The *Joint Proposed Procedure* was granted on December 2, 2020.

4. On January 8, 2021, the Parties filed its *Status Report* stating Spire's intent to file supplemental direct testimony no later than January 25, 2021 and requesting that Staff be allowed to file its recommendation on February 26, 2021.

5. On January 25, 2021, the Company filed the supplemental direct testimonies of Wesley Selinger and Shaylyn Dean to address specific questions outlined by the Parties during the Parties' January 4, 2021 program discussion.

6. On February 26, 2021, the Staff filed its Recommendation and Memorandum (hereinafter "Recommendation") relating to its review of Spire's proposed PAYS On-Bill financing program ("the Program"). The Staff recommends the Commission reject the tariff sheets and permit the parties to move the development of the program to the Company's pending general rate case. In its Recommendation Staff takes issue with several aspects of the Company's proposed program including the program budget, the Company's proposed tariff sheets, and the proposed program cost recovery mechanism.

Benefits of Spire's PAYS On-Bill Financing Program

7. Before addressing the individual concerns raised in Staff's Recommendation, the Company believes it is important to recognize the benefits of the proposed trademarked PAYS program that has been approved for Spire Missouri's electric counterparts. These benefits have recently been acknowledged by the Commission. During the November 6, 2019 agenda discussion regarding the inclusion of a PAYS program as part of Evergy's Missouri Energy Efficiency Investment Act ("MEEIA") cycle three programs, a Commissioner explained that a PAYS program is the "best thing we can do for low-income customers." The Commission continued by

explaining the other benefits of a PAYS program, including: (1) the ability of this type of program to alleviate the barrier to encouraging building owners/landlords, who will not directly receive the benefits of energy efficiency measures in lower energy bills, to make these upgrades; and (2) how these programs aid those with credit issues in financing cost-effective energy efficiency investments. Spire agrees and supports the Commission's efforts in embracing a new program that has the potential to provide such benefits to many of the Company's customers.

8. In Evergy's MEEIA case, Renew Missouri witness Mark Cayce with the Ouachita Electric Cooperative ("OEC") provided a copy of the OEC's HELP PAYS filing that was made with the Arkansas Public Service Commission. The filing included testimony from Michael Searcy laying out some of the benefits related to the installation of natural gas equipment. Mr. Searcy notes "that most projects will likely consist of high efficiency air conditioning coupled with high efficiency gas furnace; duct sealing and duct installation; building envelope sealing and insulation . . ." The submission from the OEC shows that the company made a collective effort to create partnerships with neighboring natural gas utilities to benefit their shared customers thus lowering the monthly charge while bolstering energy efficiency. The program design was also fuel neutral and did not target any fuel switching by ensuring electric equipment was replaced with more efficient electric equipment and gas equipment was replaced with more efficient gas equipment.

9. The Energy Efficiency Institute which designed the PAYS model intended for the program to help customers with gas, electric, and water savings improvements. Allowing Spire to offer this program would provide customers with an opportunity to take advantage of all the energy savings related to their home. Spire has proposed its program for an initial period of three years

and has utilized the Commission's guidance and the provisions of similar programs approved by Commission and agreed to by Missouri regulatory stakeholders.

Moving this proceeding into Spire's pending rate case will delay program implementation

10. Spire fully anticipates that the Program will be co-delivered with its electric counterparts and has designed the Program with flexibility to accommodate co-delivery. Ameren Missouri, whose PAYS tariff has already been approved, also contemplates the co-delivery of its program and has included language in its tariff to effectuate that possibility. Under section 2 (b) of Ameren's PAYS tariff, Ameren discusses the inclusion of gas savings when determining the net savings under the program, "if the program is co-delivered with a gas utility." Ameren Missouri launched its PAYS program in early 2021. Evergy is planning to launch a similar program later this fall. The operation of law date in Spire's pending rate case is November 10, 2021. This type of program will take months to properly stand up. Moving this program into the rate case will delay Spire's program launch for some time and will be detrimental to developing these programs on a co-delivered basis. In order to effectuate a timely launch of Spire's Program implementation, the Company would urge the Commission to allow Program approval to remain within the context of this proceeding.

Spire's Proposed PAYS On-Bill Financing Program Budget

11. On pages 2 and 3 of its Recommendation, Staff takes issue with the Company's proposed program budget. In supplemental testimony, the Company proposed an annual program budget of $11 million per year, for three years. Spire contends that it has proposed an annual budget that aligns in size with the Company's electric counterparts on both sides of the state of Missouri. Staff explains that Ameren Missouri's PAYS program has an authorized budget of $15 million over two years, $5 million in year one increasing to $10 million in year two. What Staff

fails to consider in its Recommendation, is that the Commission has ordered Evergy to develop a PAYS program with a budget of $10-15 million. This makes Spire's $11 million proposed budget approximately half of the combined budgets of Spire's electric counterparts. In rejecting the Company's proposed budget Staff also states on page 4 of its Recommendation that the Company already operates EnergyWise and Insulation financing programs. As stated in the Company's testimony, these programs require credit checks and that a program participant carry an ongoing debt obligation. In addition, equipment obtained through these programs do not require in-home energy audits to receive financing. The EnergyWise and Insulation financing programs will continue to serve Spire customers that meet the credit requirements and who want to install energy efficient equipment regardless if their home is deemed qualified under an energy efficiency audit. The Company's PAYS program is designed to address customers that cannot satisfy the credit check and other financing criteria. The Company's proposal is designed to advance opportunities for its customers to participate in cost-effective energy efficiency programs.

On-Bill Financing Tariff Sheets

12. In its Recommendation, Staff states that Spire's proposed tariff sheets are overly vague and lack the sufficient detail to ensure participants and non-participants protection. As the PAYS framework is new to Missouri, when developing its proposed tariff sheets, Spire made a deliberate effort to follow the program guidelines and provisions that had been agreed to by all parties involved in establishing and obtaining Commission approval of Ameren's PAYS program. In fact, a comparison of the Company's proposed tariff sheets would reveal that Ameren's tariff serves as the foundation for Spire's proposed tariff with only very minor, non-substantive changes.

13. At page three of its Recommendation, Staff states that Spire's proposed tariff sheets "do not describe in detail the costs by FERC account eligible for recovery, provide the calculation

that should be used to establish the rider rate, frequency of rider filings, timeline for rider filings, filing requirements, prudence reviews, timing of rate reconciliations, and provisions for disallowances." In Spire's Commission-approved tariff sheet, not a single page details the costs by FERC account eligible for recovery. Many of the items Staff describes have been detailed extensively in testimony, such as annual reviews and reconciliations. Detailing these items in the program tariff sheets is not necessary. For instance, Staff has approved dozens of Spire's ISRS tariff sheets which contain none of these items. The Company would be willing to work with Staff in incorporating any items Staff believes should be included in the Company's tariff sheets, but in no way should this be grounds for disapproving or unduly delaying the implementation of a program that has the potential to greatly benefit customers.

14. Staff raises the issue of property tax on page 3 of its Recommendation and states that the tariff does not "outline how property taxes would be applied to residential HVAC units and other energy efficiency measures." As stated above, the Company is willing to make modifications to its tariff sheets that Staff feels are necessary. However, the assessment of property tax to utility capital investments is something Staff and others have audited and reviewed for years. As explained in the Commission's November 6, 2019 agenda discussion, PAYS investments are to be treated as utility capital investments.

15. On page 3 of its Recommendation, Staff also states that Spire's tariff sheets "incorrectly assume that residential customers are the only customers that should be responsible for recovery of unrecovered participant costs if the programs benefit all customers." In testimony, the Company has explained that the program will only be available to residential customers which makes it appropriate to recover program costs from its residential customers.

Cost Recovery Mechanism

16. In its Recommendation, the Staff states that the Commission should reject the Company's application because it seeks to establish a "cost recovery mechanism that is not authorized by State Statute or Commission rule." Please see the Company's response to OPC's Motion to Dismiss, filed on November 23, 2020, for the Company's assessment of the Commission's general authority to authorize a cost recovery mechanism. As stated in the Company's response to OPC's filing, the Commission has inherent powers to set just and reasonable rates and has approved other tariff filings not specifically identified by statute.

17. Spire's Program has the potential to offer benefits to thousands of customers, who otherwise would be unable to afford to make the upfront investment in energy efficiency upgrades. Spire would be one of the first pure natural gas utility companies to offer a program of this kind. Ameren has utilized its MEEIA charge as part of its PAYS investment recovery. Spire, as a natural gas utility has no such mechanism, but that does not prohibit the Commission from establishing such a mechanism with its general ratemaking authority. The Company's proposed mechanism would remedy this inequity and allow Spire to approach on-bill finance costs in a similar manner approved for Missouri electric utilities.

18. Spire has been in discussions with Staff and OPC regarding its Program and is open to continuing to engage in discussions so that the Company may implement a Program that can benefit thousands of customers while improving energy efficiency.

WHEREFORE, the Company requests that the Commission accept this Response to the Staff Recommendation.

Respectfully Submitted,

/s/*Goldie T. Bockstruck*
Goldie T. Bockstruck #58759

Director, Associate General Counsel
Spire Missouri Inc.
700 Market Street, 6th Floor
St. Louis, MO 63101
314-342-0533 Office (Bockstruck)
314-421-1979 Fax
Goldie.Bockstruck@spireenergy.com

ATTORNEY FOR SPIRE MISSOURI INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing pleading was served on counsel for all parties of record, on this 5th day of March, 2021 by electronic mail.

/s/ Goldie T. Bockstruck
Goldie T. Bockstruck