Exhibit No.:	
Issue:	*Spire STL Pipeline*
Witness:	*David M. Sommerer*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*GR-2021-0127*
Date Testimony Prepared:	*May 26, 2023*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

PROCUREMENT ANALYSIS

REBUTTAL TESTIMONY

OF

DAVID M. SOMMERER

SPIRE MISSOURI, INC.

CASE NO. GR-2021-0127

Jefferson City, Missouri
April 2023

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REBUTTAL TESTIMONY

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SPIRE MISSOURI, INC.

CASE NO. GR-2021-0127

Q. Please state your name and business address.

A. David M. Sommerer, 200 Madison Street, Jefferson City, MO. 65101.

Q. Are you the same David M. Sommerer that has filed Direct Testimony in this case?

A. Yes.

EXECUTIVE SUMMARY

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony will address points of disagreement with Spire Missouri, Inc.'s ("Spire Missouri" or "Company") witness Scott A. Weitzel and Environmental Defense Fund (EDF) witness Gregory M. Lander. I would emphasize that silence on any particular point raised in either the Company's direct testimony or EDF's direct testimony does not necessarily mean agreement. I have chosen to identify the most relevant points of disagreement in my rebuttal testimony.

REBUTTAL TO COMPANY WITNESS WEITZEL

Q. Please discuss your primary point of disagreement with Mr. Weitzel's direct testimony.

A. On page 16, lines 1 through 19, Mr. Weitzel takes exception with Staff's point regarding the risks of proceeding with construction and taking service from STL Pipeline discussed on page four of Staff's Memorandum and pages four and five of my direct testimony.

Mr. Weitzel states on page 16, lines 7 through 11, "I don't agree that Spire STL Pipeline somehow took an undue risk when it began construction after FERC approved its CCN. The CCN itself required the Pipeline to construct the project within a defined time period. Moreover, the Precedent Agreement between Spire STL Pipeline and Spire Missouri required the utility (started) to begin to take service once the Pipeline was operational. This is a typical industry-standard term." I disagree with this position.

Q. Please explain.

A. One of the key aspects of this transaction is that it is between affiliated parties. This feature carries inherent risk above and beyond a transaction between unaffiliated parties. In my experience, affiliated transactions require extra scrutiny, since the same kinds of checks and balances may not be as prevalent as they are in transactions between unaffiliated parties. One of the bases of EDF's appeal was the fact that precedent agreement was between two affiliates. The appellate court agreed that this was a concern. However, to make this risk even greater, the basic decisions to move forward were predicated on only one precedent agreement. Finally, when coupled with the limited back-up plan in place if the FERC certificate were ultimately vacated, there existed significant risks and potential impacts to service.

Q. Mr. Weitzel appears to characterize these risks as being "typical" (page 16, line 11). Do you agree?

A. No. There was a period of time that the initial FERC Certificate review in CP17-40 appeared to be at an impasse, perhaps because the justification for the pipeline was not without controversy, or at least disagreement. By August 2018, the FERC had issued its Order; however, the total reliance on one precedent agreement with an affiliate was not a typical situation when deciding whether to begin construction of the STL Pipeline. There was little time taken by

Spire STL between the FERC notice to proceed issued in November 2018 and the start of construction in January 2019.

Q. Can you summarize the robustness of the Company's contingency plans that would address the risk that the courts would overturn the FERC's initial decision?

A. I think the lack of depth and flexibility of these plans is best illustrated in the responses the Company and Spire STL Pipeline provided to FERC Staff data requests in FERC Docket No. CP17-40 on September 7, 2021 that addressed the difficult situation the Company found itself in late 2021. In summary, these responses admitted that the propane peak shaving plant, parts of the Company's historical city-gate deliveries, Mississippi River Transmission (MRT) East Line access, and certain distribution system feeder paths had all been reduced or decommissioned from historical levels. In essence, the new portfolio including service from Spire STL, had, to a certain degree, eliminated capability under the historical portfolio. As a result, the Company's customers faced material risk of loss of service after the FERC's order was overturned, with potentially catastrophic consequences.

REBUTTAL TO EDF WITNESS LANDER

Q. What is your primary disagreement with Mr. Lander's direct testimony?

A. After listing a series of actions that the Company made in anticipation of full dependence upon Spire STL Pipeline, Mr. Lander essentially proposed a disallowance of all the Spire STL Pipeline invoiced cost incurred within the PGA/ACA period. My understanding of the Missouri Public Service Commission's prudence standard is that once a serious doubt has been created about an expenditure, the party proposing the disallowance needs to evaluate the harm to customers of the alleged imprudent decision and propose any necessary disallowances to hold the customers "harmless."

In my view, in Spire Missouri's situation the harm would be assessed by comparing the costs that would be incurred by the Company assuming a prudent course of action, versus the actual expenses incurred that result from the imprudent action. Simply put, if the historical portfolio in place before implementation of the Spire STL Pipeline, with reasonable updates of costs to maintain such historical service, is less than the costs of the new portfolio with Spire STL, then a disallowance might be warranted.

Q. Where does Mr. Lander discuss his proposed disallowance?

A. Mr. Lander's quantification is described on page 16 of his direct testimony, with the actual disallowance listed on page 17.

Q. Did Staff find a significant difference between the costs of maintaining the old portfolio as compared with the costs of the new portfolio that included Spire STL?

A. No. The Staff concluded that there was not a major cost difference between maintaining service from the traditional gas supply and transportation configuration as opposed to the new configuration. As stated in my direct testimony, one of the key drivers that constrained Spire STL rates was the 25 cent per MMBtu cap placed on the rate that could be charged to the Company. With the cap in place, the costs associated with service from the Spire STL Pipeline did not appear to exceed the estimated costs the Company would have incurred if it had maintained its historical service.

Q. What is your observation regarding costs that Spire Missouri actually incurred as a result of the appeals decision, and how have those cost been treated for rate purposes?

A. My understanding is that costs directly related to EDF's successful appeal would have been assignable to Spire STL, and not to the distribution company. Examples of these costs might include legal expenses, advertising, and other expenses associated with informing customers of potential outages. Generally speaking, these were not natural gas costs at issue in a PGA/ACA filing, but expenses subject to review in a general rate case. That is the forum for the review of the cost allocation between and amongst Spire affiliates.

Q Mr. Lander's direct testimony appears to focus primarily on the risk inherent with a possible court decision vacating the FERC certificate order, rather than an allegation that the affiliated contract contains charges that are clearly in excess of a gas supply and transportation portfolio that does not contain Spire STL Pipeline. Do you have a suggestion to address this possible risk?

A. Yes, if the risks that are carried with the decision to use an affiliate to build and operate the pipeline show themselves in some future date, any excess costs should be quantified and borne by Spire STL Pipeline and not by Spire Missouri's regulated customers. An additional tool available to the parties in a general rate case is to address the risks imposed on Spire Missouri customers from this affiliate transaction would be to recommend a lower rate of return. However, this would only be relevant to the extent that the courts overturn the FERC's current certificate order at some point in the future, and customer harm results.

Q. Does this conclude your Rebuttal Testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Spire Missouri, Inc. d/b/a Spire (East) Purchased Gas Adjustment (PGA) Tariff Filing	)))	Case No. GR-2021-0127

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW DAVID M. SOMMERER and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony of David M. Sommerer*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

David M. Sommerer

DAVID M. SOMMERER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 23rd day of May 2023.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D. Suzie Mankin
Notary Public