

Exhibit No.:
Issues: Regulatory Compliance
Line Locate Expense
Incentive Compensation
STL Pipeline
Reputational Risk
Propane Storage & Sales

Witness: Scott A. Weitzel
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Spire Missouri Inc.
Case Nos. GR-2022-0179
Date Prepared: October 7, 2022

SPIRE MISSOURI INC.

CASE NO. GR-2022-0179

REBUTTAL TESTIMONY

OF

SCOTT A. WEITZEL

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TABLE OF CONTENTS

REBUTTAL TESTIMONY OF SCOTT A. WEITZEL	1
I. PURPOSE OF TESTIMONY	1
II. COMPLIANCE WITH LAST RATE CASE	1
III. LINE LOCATE COSTS.....	3
IV. INCENTIVE COMPENSATION.....	4
V. SPIRE STL PIPELINE	7
VI. REPUTATIONAL RISK.....	8
VII. PROPANE CAVERN	11

REBUTTAL TESTIMONY OF SCOTT A. WEITZEL

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Scott A. Weitzel, and my business address is 700 Market Street, St. Louis,
3 Missouri 63101.

4 **Q. ARE YOU THE SAME SCOTT A. WEITZEL WHO PREVIOUSLY FILED**
5 **DIRECT TESTIMONY IN THIS PROCEEDING?**

6 A. Yes, I submitted direct testimony on behalf of Spire Missouri Inc. (“Spire” or “Company”)
7 in this rate case.

8 **I. PURPOSE OF TESTIMONY**

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my testimony is to respond to various issues addressed in the Direct
11 Testimony of the Office of the Public Counsel (“OPC”) and Staff of the Missouri Public
12 Service Commission (“Staff”). These issues include compliance with the prior rate case,
13 line locate costs, incentive compensation, STL Pipeline, reputational risk and propane
14 cavern revenues and expenses.

15 **II. COMPLIANCE WITH LAST RATE CASE**

16 **Q. DOES STAFF ASSERT THAT SPIRE HAS NOT COMPLIED WITH CERTAIN**
17 **ASPECTS OF THE PRIOR RATE CASE ORDER?**

18 A. Yes. Staff Witness Sarah L.K. Lange contends that Spire, in GR-2021-0108, agreed to file
19 a class cost of service (“CCOS”) study in its next general rate case for Spire East and for
20 Spire West, separately. She also states that Spire did not comply with a commitment to
21 undertake an evaluation of the estimated usage used to calculate the rates for the Unmetered
22 Gas Light Class prior to filing its next general rate case. She recommends the Commission

1 should order Spire to comply in any subsequent general rate proceeding with commitments
2 made by Spire, which she alleges Spire failed to perform in this proceeding.

3 **Q. WITH REGARD TO THE CCOS STUDY, HOW DO YOU RESPOND?**

4 A. Spire did not intend to file a rate case so close to the effective date of rates from GR-2021-
5 0108. Spire did everything it could to streamline this case to alleviate potential workloads
6 for Staff. This included proposing no changes to the class cost of service or rate design for
7 residential, Small General Service (“SGS”), Large General Service (“LGS”), Large
8 Volume (“LV”), Unmetered gaslight service, Intrastate transport service, and General L.P.
9 gas service customers.

10 **Q. WHY DID THE COMPANY NOT FILE A CCOS STUDY?**

11 A. As stated above, the Company did not change much, if any, rate design or CCOS items in
12 this filing. Any changes were focused on the transportation class in response to Winter
13 Storm Uri. The Company used the same rate designs and blocks that were litigated for
14 more than eleven months in GR-2021-0108, which concluded shortly before the filing of
15 this case. The Company also used Staff’s billing determinants in this case.

16 **Q. DOES THE COMPANY INTEND TO FILE A COST OF SERVICE (“COS”) AND
17 CCOS STUDY IN THE NEXT GENERAL RATE CASE FOR SPIRE EAST AND
18 FOR SPIRE WEST, SEPARATELY?**

19 A. Yes. Again, the Company treated this case a true-up from GR-2021-0108 using Staff’s
20 Cost of Service as a baseline, did not change rate design, and used Staff’s billing
21 determinants.

22 **Q. WITH REGARD TO STAFF WITNESS LANGE’S TESTIMONY THAT SPIRE
23 DID NOT UNDERTAKE AN EVALUATION OF THE ESTIMATED USAGE USED**

1 **TO CALCULATE THE RATES FOR THE UNMETERED GAS LIGHT CLASS**
2 **PRIOR TO FILING THIS CASE, HOW DO YOU RESPOND?**

3 A. There are currently only 71 unmetered gas light customers out of approximately 1.2 million
4 total Missouri customers. Witness Lange is correct that we did not file the study in our
5 Direct Testimony. However, Ms. Lange points out on pages 9-10, lines 11-13, 1-3, that
6 the Company did undertake an evaluation of the estimated usage used to calculate the rate
7 for the unmetered gas light class. If there are deficiencies with this information, the
8 Company would be willing to work with Staff to enhance the evaluation.

9 **III. LINE LOCATE COSTS**

10 **Q. HAVE YOU REVIEWED STAFF WITNESS PAUL K. AMENTHOR'S**
11 **COMMENTS ON LINE LOCATE COSTS?**

12 A. Yes, I have.

13 **Q. HOW DOES SPIRE RESPOND TO WITNESS AMENTHOR'S PROPOSAL TO**
14 **RE-EXAMINE LINE LOCATING COSTS?**

15 A. Spire supports Staff's testimony on the locate contract and feels an adjustment as part of
16 true-up is justified and warranted.

17 **Q. WHAT HAS HAPPENED WITH LINE LOCATES DURING THE TRUE-UP**
18 **PERIOD?**

19 A. A new contract has been signed with known and measurable changes to the contract.

20 **Q. WHAT HAS HAPPENED WITH THE COSTS TO PROVIDE THE SERVICE OF**
21 **LOCATES?**

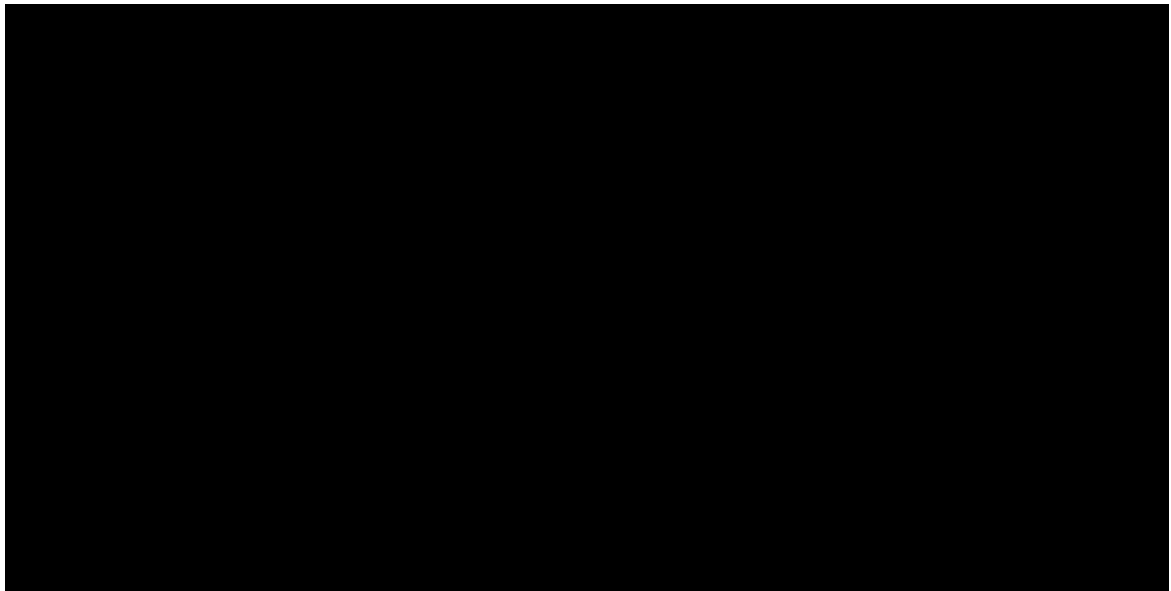
22 A. Service providers for line locates are not immune from the realities that many businesses
23 are facing today. They are navigating through high inflation, rising vacancy rates, and high

1 turnover. The utility industry is seeing an increase and reset in the costs to provide line
2 locating services. This has been further stressed by the significant deployment of fiber
3 optics and telecom investments in Missouri recently.

4 **Q. HOW HAS THIS IMPACTED SPIRE CONTRACT?**

5 A. Please see the confidential chart below that summarizes locate costs for our fiscal year
6 through September 30, 2022. It then applies the new charges to actual activity we
7 experienced in Fiscal Year 2022 to approximate the new run rate of line locating expense
8 for Spire. This analysis demonstrates that the new contract locating rates will increase our
9 line locate service expense by ** [REDACTED] **

10 **



22 **

23 **Q. IS THIS THE AMOUNT STAFF SHOULD MAKE AN ADJUSTMENT FOR IN**
24 **THIS RATE CASE FOR TRUE UP?**

25 A. Yes.

26 **IV. INCENTIVE COMPENSATION**

27 **Q. WHAT IS OPC'S POSITION ON INCENTIVE COMPENSATION?**

1 A. OPC Witness Cassidy Weathers argues that Spire is receiving more recovery than
2 necessary for incentive compensation. In her view, Spire is already recovering the cost of
3 its incentive compensation payments in between rate cases, and therefore, the benefits
4 (increased revenue or decreased costs) that the Company is achieving are not reflected in
5 rates. OPC concludes that this means regulatory lag allows Spire to keep those benefits for
6 itself.

7 **Q. DOES SPIRE AGREE WITH THIS POSITION?**

8 A. No. As an initial matter, I would point out that all incentive compensation related to
9 earnings has already been removed from the Company's filing. Accordingly, the incentive
10 compensation that Ms. Weathers objects to relates to the safety, operations, and customer
11 service metrics for which Spire employees receive incentive pay. This includes our union
12 employees.

13 **Q. IS THERE A MISSING PIECE TO THE EQUATION WHEN THE OPC'S FOCUS**
14 **IS ONLY ON INCREASED REVENUE OR DECREASED COSTS?**

15 A. Yes. The Company uses these metrics to help manage costs and therefore minimize rate
16 impacts to our customers. However, there are realities to running and managing a business.
17 These realities are increased expenses, increased costs, and other inflationary items. These
18 can include financing costs, paying employees' annual salary increases, rising benefit and
19 healthcare costs, increasing taxes, and more expensive materials to name a few.

20 **Q. HOW DOES THIS IMPACT THE "EQUATION" YOU REFERENCED EARLIER?**

21 A. These are all offsets to any new revenue or decreased costs that OPC referenced. Spire
22 does not get paid twice because the increased revenue or decreased costs are not a one-for-
23 one impact to revenue or earnings. The same holds true for increased costs or expenses.

1 **Q. DOES OPC ACKNOWLEDGE A POINT IN TIME WHEN SPIRE WOULD NOT**
2 **BE PAID TWICE?**

3 A. Yes. Page 5 line 21-24 of Witness Weathers' direct testimony states, "Only during the rate
4 case. That is the one time that operational savings or increased revenue are able to be
5 included in the Company's rates. Under the matching principle, it makes sense for Spire
6 to recover the cost of incentive compensation payments made to achieve the operational
7 savings or increased revenues that occur during the test year."

8 **Q. DO YOU AGREE WITH WITNESS WEATHERS THAT THE BENEFITS THE**
9 **COMPANY IS ACHIEVING ARE NOT REFLECTED IN RATES ?**

10 A. No. This issue of double recovery was addressed in the Company's last rate case, GR-
11 2021-0108 by both Staff and OPC. OPC Witness Schellenberg stated in his rebuttal
12 testimony, page 18, line 14, that recovery of the Company's AIP in base rates would be
13 "double recovery." Both in the Company's Rebuttal and Staff's Surrebuttal this stance was
14 refuted.

15 In docket GR-2021-0108, Staff Witness Jeremy Juliette, on page 8 lines 9-11 of his
16 surrebuttal testimony, stated that, "Any savings that Spire recognized because of its
17 successful incentive compensation plan that is currently in effect would be built into the
18 test year for this rate case proceeding." In my rebuttal in that same docket, the Company
19 agreed with Staff's position.

20 It should also be noted that incentive compensation is a component of an
21 employee's overall compensation package, and is included with items such as pensions,
22 benefits, and base pay¹. Furthermore, the metrics that accompany the Company's incentive

¹ Surrebuttal Jeremy Juliette, page 9 lines 7-8, GR-2021-0108

1 compensation have benefits for both customers as well as employees. The overall savings
2 that are recognized by the Company are merely reflected in a rate case test year and passed
3 on to customers.

4 **Q. DOES SPIRE HAVE ANY LONG-TERM INCENTIVE COMPENSATION**
5 **PLANS?**

6 A. Yes. Spire acknowledges that we have a long-term incentive plan, but that plan is only
7 applicable to specific employees. In this case, just like prior rate cases, the Company is
8 not seeking recovery for cost incurred for that plan.

9 **V. SPIRE STL PIPELINE**

10 **Q. CAN YOU SUMMARIZE OPC'S STANCE ON SPIRE STL PIPELINE?**

11 A. OPC Witness Geoff Marke voices concerns that Spire's shared service model is
12 inappropriately billing regulated customers too much for non-regulated services. Dr.
13 Marke states that the subsequent fallout of increased media/marketing, legal, board of
14 directors, and other related costs associated with the Spire STL Pipeline should not be
15 borne by Missouri ratepayers².

16 **Q. WERE THE COSTS IDENTIFIED BY WITNESS MARKE INCURRED AS A**
17 **RESULT OF SPIRE'S ACTIONS?**

18 A. No, ultimately. Spire Missouri was caught in the middle of an issue between the Federal
19 Energy Regulatory Commission and the United States Appeals Court for the District of
20 Columbia Circuit. (CP17-40). The DC Circuit vacated the pipeline's certificate in June
21 2021 in a case brought up by STL Pipeline Project opponent Environmental Defense Fund.

² Direct Testimony Geoff Marke, page 6, lines 15-17, GR-2022-0179.

1 **Q. HOW HAVE COSTS RELATED TO THE SPIRE STL PIPELINE MATTER BEEN**
2 **CHARGED BY SPIRE MISSOURI?**

3 A. Costs have been properly charged between the two different entities, Spire Missouri and
4 Spire STL Pipeline. Spire Missouri and Spire STL Pipeline retain separate outside legal
5 counsel and external costs related to this matter are being directly charged to the respective
6 entities incurring the charges rather than collected at Spire Services and then subsequently
7 allocated. Staff data requests 266 and 267 show the external costs directly incurred and
8 charged from Spire Missouri’s perspective. Further, Staff’s base cost of service model in
9 this case is built upon the last general rate case true-up period which ended May 31, 2021,
10 which is prior to the vacating of the certificate in June 2021 and subsequent related spend
11 on Spire Missouri’s part. Staff’s model considered adjustments through the true-up period
12 of May 31, 2022. There were no cost of service adjustments related to STL Pipeline related
13 matters noted by Staff in their model, because no costs are included in their base model.

14 **Q. IS SPIRE’S SHARED SERVICE MODEL INAPPROPRIATELY BILLING**
15 **REGULATED CUSTOMERS TOO MUCH FOR NON-REGULATED SERVICES?**

16 A. Absolutely not. As noted in the STL Pipeline matter above, costs have been direct charged
17 to the respective entities, meaning these additional costs have not been passed through
18 Spire Services. Additionally, Staff’s cost of service model doesn’t reflect additional
19 external costs for this issue either from a direct or allocated charge perspective. Please see
20 Spire Witness Eric Bouselli for further information on corporate allocations.

21 **VI. REPUTATIONAL RISK**

22 **Q. HOW DOES OPC WITNESS SEAVER TESTIFY WITH REGARD TO SO-**
23 **CALLED REPUTATIONAL RISK?**

1 A. Witness Seaver alleges Spire has suffered reputational damage since its last rate case due
2 to STL Pipeline issues. He recommends, for reputational rehabilitation, that the
3 Commission disallow total annual incentive plan (“AIP”) from Staff’s annualized
4 workpapers from the last rate case, as “a way to show that the Commission cares about
5 Spire’s service to its customers.”

6 **Q. HOW HAS OPC DEFINED REPUTATIONAL RISK?**

7 A. Reputational risk is the potential damage to a company’s reputation. The reputation of a
8 company is what customers, lenders, and other businesses use to determine if they will do
9 business with the company. (Seaver direct, page 2, lines 3-5.)

10 **Q. HAS SPIRE MISSOURI LOST VENDORS SINCE THE FERC DC CIRCUIT**
11 **CASE?**

12 A. Not outside of normal additions and drops that Spire sees year to year. In fact, we have
13 strong relationships with our vendors, and hundreds of businesses want to do business with
14 Spire.

15 **Q. HAS SPIRE MISSOURI LOST LENDERS SINCE THE FERC DC CIRCUIT**
16 **CASE?**

17 A. No.

18 **Q. HAS SPIRE MISSOURI BEEN UNABLE TO PROVIDE SERVICE TO ITS**
19 **CUSTOMERS BECAUSE OF THE FERC DC CIRCUIT CASE?**

20 A. Fortunately, we have been able to provide service. At one point in time FERC only had
21 approval for Spire STL pipeline to operate through December 13, 2021. This was a FERC
22 decision and not a Spire Missouri decision. The DC Circuit Court decision was

1 unprecedented, in that it revoked the operating certificate for a fully constructed interstate
2 pipeline after it had been in operation for nearly 2 years.

3 **Q. ARE NEW CUSTOMERS STILL CHOOSING SPIRE FOR SERVICE SINCE THE**
4 **FERC DC CIRCUIT CASE?**

5 A. Yes. **** [REDACTED] **** new premises have been activated on the east side and **** [REDACTED] **** on the
6 west side. Customers choose Spire/natural gas approximately **** [REDACTED] **** of the time
7 when they have a choice of fuel during permitting.

8 **Q. HAVE SPIRE MISSOURI EAST CUSTOMERS EXPERIENCED ANY BENEFITS**
9 **TO HAVING SPIRE STL PIPELINE IN THEIR NATURAL GAS PORTFOLIO?**

10 A. Yes. During winter storm Uri, Spire STL pipeline provided supply diversity and protected
11 customers from regional price spikes. Spire Missouri customers have enjoyed the most
12 affordable PGA rates in the state and Bi-State region, largely because of Spire Missouri's
13 transportation service on Spire STL Pipeline.

14 **Q. BASED ON OPC'S DEFINITION AND THE INFORMATION YOU JUST LAID**
15 **OUT, DO YOU FEEL THERE IS REPUTATIONAL HARM THAT THE MPSC**
16 **NEEDS TO ADDRESS WITH THE COMPANY?**

17 A. I do not feel an adjustment is warranted. Businesses still like to do business with Spire,
18 lenders are still providing financing and capital to Spire Missouri, we are still providing
19 service to our customers, and our customers are still choosing our product and service even
20 when they have a choice not to.

21 **Q. WHO WAS OPC WITNESS SEAVER MOST CRITICAL OF IN HIS**
22 **TESTIMONY?**

1 A. The focus seems to be on the management or leadership of Spire. “How is this reputational
2 damage related to Spire Missouri’s management decisions?” (Seaver direct, page 3 line 5.)

3 On page 4, lines 3-16, Seaver goes into compensation of Spire Missouri executive officers.

4 **Q. ARE THESE EXECUTIVES’ COMPENSATIONS PART OF THIS CASE?**

5 A. Only partially. Most of total executive compensation is earnings-based, and the Company
6 excluded it as part of this rate case as it did in GR-2021-0108.

7 **Q. DOES AN AIP ADJUSTMENT NEED TO BE MADE?**

8 A. No. As stated before, reputational harm has not materialized since the FERC DC circuit
9 court case. Spire should not be punished for Washington DC politics. Again, that case
10 was between FERC, EDF, and the DC circuit courts. AIP is part of the total compensation
11 for our employees. This would impact incentive compensation for thousands of
12 employees, including our union workers. The metrics for AIP are focused on customer
13 service, safety, and efficiencies, to name a few.

14 **VII. PROPANE CAVERN**

15 **Q. WHAT IS STAFF’S POSITION ON THE TOPIC OF SPIRE’S PROPANE
16 STORAGE CAVERN?**

17 A. Staff Witness Ferguson describes Staff’s issues with propane investment, inventory, and
18 revenue/expense aspects of the propane cavern.

19 **Q. WHAT IS STAFF’S CONCERN WITH PROPANE INVESTMENT?**

20 A. Staff proposes that Spire seek specific authorization from the Commission regarding any
21 new ratemaking treatment in either a separate case or in direct testimony in a future rate
22 case. This includes retirement and repurposing of propane assets. Witness Ferguson
23 recommends Spire be ordered to provide a study and all financial and operational

1 justification for the determination and proposed change to the regulatory treatment and
2 alternatives considered.

3 **Q. DO YOU AGREE WITH STAFF'S POSITION ON THIS ISSUE?**

4 A. Partially. I agree that Spire should address any changes to ratemaking treatment as part of
5 a rate case or other specific filing with the impacted parties. I disagree that Spire needs
6 approval for day-to-day operating decisions. For instance, the retirement of equipment that
7 is no longer in service should not require any special authorization by the Commission.
8 That is part of the normal day-to-day operation of a utility business.

9 **Q. WHAT IS STAFF'S POSITION WITH REGARD TO PROPANE INVENTORY?**

10 A. Staff recommends that both the current natural gas and propane inventories that were
11 previously included in the PGA/ACA process be included as part of rate base. She also
12 alleges there are issues related to sales of propane inventory in Spire East.

13 **Q. HOW DO YOU RESPOND TO THIS ISSUE?**

14 A. Spire agrees with Staff, and in our initial filing included these inventories as part of the rate
15 base calculation.

16 **Q. WHAT WAS AGREED TO IN GR-2021-0108 ON PROPANE?**

17 A. A stipulation was agreed to by the parties and approved by the Commission. The
18 Signatories agreed that the Company's propane storage and vaporization assets will
19 continue to be treated as used and useful, and included in rates and rate base. All revenue
20 and expenses associated with propane operations will continue to be included in the
21 Company's cost of service for purposes of this case, and will continue to be accounted for
22 in the same manner as set forth in the Stipulation in Case No. GR-2017-0215. The
23 Signatories further agree that Spire may seek different accounting treatment for the propane

1 facilities in the future through a case filing including, without limitation, in a general rate
2 case.

3 **Q. WILL SPIRE FOLLOW THE PROPANE STIPULATION THAT WHAT WAS**
4 **AGREED TO IN GR-2021-0108?**

5 A. Yes. That is why, as part of GR-2021-0108, Spire proposed removing propane from rate
6 base because it was no longer used and useful. Staff was adamant about keeping it in rates
7 so the Company agreed to continue the longstanding propane stipulation.

8 **Q. DO MARKETS, OIL PRICES, PROPANE PRICES, ASSET LIFE, NATURAL GAS**
9 **MARKETS, NATURAL GAS INTERSTATE PIPELINES, RELIABILITY,**
10 **MAINTENANCE, AND OTHER BUSINESS DECISIONS OR IMPACTS CHANGE**
11 **OVER 5 YEARS?**

12 A. Yes, of course. That is why it is still interesting that Staff seems to be focused on a board
13 of directors discussion that goes back to early 2017 regarding propane as the touchstone
14 for which it is basing most of its position on propane.

15 **Q. WHAT IS STAFF'S CONCERN WITH PROPANE REVENUE AND EXPENSE?**

16 A. Witness Ferguson contends that Spire has not requested different regulatory treatment from
17 what was agreed to in the Stipulation and Agreement for propane investment, revenue and
18 expense in the 2021 rate case. Therefore, Staff has included all revenues associated with
19 propane cavern as above the line, while including all operation and maintenance expenses
20 associated with operating the propane cavern in its cost of service calculation. Staff also
21 contends that ** [REDACTED]

22 [REDACTED]

23 [REDACTED]**

1 **Q. HOW DOES SPIRE RESPOND?**

2 A. Spire has not requested any different treatment for propane assets, revenues or expenses
3 than was approved as part of Case No. GR-2021-0108. However, the Company disagrees
4 with Staff on propane sales of inventory. The Company pays for the inventory and retains
5 ownership of those molecules per accounting guidelines until it is used by the customer.
6 Once it is used by the customer, then the Company can be compensated for the purchase
7 by the customer. Sales of excess inventory which has not yet been charged to customers
8 should not be included in revenue. Sales of such inventory can and are also made at a loss,
9 which the Company is not seeking to recoup from customers.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes.

12

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

AFFIDAVIT

STATE OF MISSOURI)
CITY OF ST. LOUIS) SS.
)

I, Scott Weitzel, of lawful age, being first duly sworn, deposes and states:

1. My name is Scott Weitzel. I am Vice President of Regulatory and Governmental Affairs for Spire Missouri Inc. My business address is 700 Market Street, St. Louis, Missouri 63101.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony on behalf of Spire Missouri Inc.
3. Under penalties for perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.


Scott Weitzel (Oct 6, 2022 16:30 CDT)

Signature

Scott Weitzel

Printed Name

Dated: 10/06/2022