

**Exhibit No.:**

**Issues:**

—  
**Background  
Overview of Relief  
Sought  
Approach to  
Proceeding  
Rate Relief Sought  
Introduction of  
Witnesses**

**Witness:**

**Type of Exhibit:**

**Sponsoring Party:**

**Case No:**

**Date Testimony Prepared:**

**Scott A. Weitzel  
Direct Testimony  
Spire Missouri Inc.  
GR-2022-0179**

**SPIRE MISSOURI INC.**

**CASE NO. GR-2022-0179**

**DIRECT TESTIMONY**

**OF**

**SCOTT A. WEITZEL**

**\*\*Denotes Confidential Information\*\***

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**SAW-D1 – J.P. Morgan’s November 16, 2021 Report**

**DIRECT TESTIMONY OF SCOTT A. WEITZEL**

**I. INTRODUCTION**

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

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

**Q. WHAT IS YOUR PRESENT POSITION?**

A. I am the Vice President of Regulatory and Governmental Affairs for Spire Missouri Inc. (“Spire Missouri” or the “Company”).

**Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.**

A. I have been in regulatory affairs since I joined Spire Missouri in August of 2016. I was promoted to my current position in November of 2021. In this role, I am responsible for regulatory affairs, legislation, government affairs, strategy, policy, external affairs, advocacy, energy efficiency, and rates functions for Spire Missouri. I have held previous roles for Spire Missouri as Managing Director of Regulatory and Legislative Affairs, Director of Rates and Regulatory Affairs, and I also served as the Manager of Tariffs and Rate Administration.

**Q. PLEASE BRIEFLY DESCRIBE YOUR PREVIOUS PROFESSIONAL EXPERIENCE PRIOR TO JOINING SPIRE MISSOURI.**

A. Upon graduation from college, I was employed by CenterPoint Energy as a Gas Marketing Analyst where I handled billing, nominations, hedge settlement, and account management for commercial, industrial, and municipal gas customers. I then spent nine years working for Ameren Missouri in various roles relating to its gas supply operations. This work

1 included scheduling gas, peak day planning, capacity and storage planning, gas supply  
2 procurement, capacity releases, hedging, gas accounting, responding to data requests,  
3 purchased gas adjustment (“PGA”) analysis, and review of competitors’ tariffs and cases.  
4 I then went to work for Ameren Illinois in the area of gas business development where I  
5 focused on extending natural gas to communities that were not currently supplied with  
6 natural gas and acquiring gas utilities and municipal gas systems.

7 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

8 A. I graduated from the University of Missouri-Columbia in 2003 with a Bachelor of Science  
9 in Human Environmental Sciences, with a major in Consumer Affairs and a minor in  
10 Leadership and Public Service. I received my Masters of Business Administration from  
11 Webster University in 2007.

12 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MISSOURI  
13 PUBLIC SERVICE COMMISSION (“COMMISSION” OR “PSC”)?**

14 A. Yes, in Files Nos. GR-2017-0215, GR-2017-0216, GO-2019-0058, GO-2019-0059, GO-  
15 2022-0171 GU-2019-0011, GU-2020-0376, GR-2021-0108, GC-2021-0315, GC-2021-  
16 0316 and GC-2021-0353.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose of my testimony is to provide a high-level overview of the Company and the  
19 need for rate relief in this proceeding, which comes on the heels of the Commission’s Order  
20 in Spire Missouri’s last rate case filing, Case No. GR-2021-0108. I describe Spire  
21 Missouri’s filing in this rate case proceeding, summarize the relief requested and explain  
22 the approach taken to derive the *pro forma* revenue requirements and rate base. I then

1 describe the need for expedited relief and introduce the Company witnesses that are  
2 sponsoring testimony in support of the Company's filing.

3 **II. COMPANY BACKGROUND**

4 **Q. PLEASE DESCRIBE SPIRE MISSOURI.**

5 A. Spire Missouri is an investor-owned gas utility providing retail gas service to large portions  
6 of Missouri through its two operating units or divisions, Spire East (formerly known as  
7 Laclede Gas Company or LAC) and Spire West (formerly known as Missouri Gas Energy  
8 or MGE). Spire West serves approximately 520,000 customers on the western side of  
9 Missouri. Spire East serves approximately 650,000 customers on the eastern side of  
10 Missouri. Spire Missouri supports safety, customers, and investment with approximately  
11 2,500 Missouri employees. The combined Company is the largest natural gas provider in  
12 the State of Missouri by customer count. Spire Missouri is a subsidiary of Spire Inc., a  
13 Missouri-based energy holding company with over 3,500 employees.

14 **Q. DESCRIBE THE ROLE SPIRE MISSOURI PLAYS IN THE COMMUNITY IT  
15 SERVES.**

16 A. In addition to providing a critical utility service to its customers, Spire Missouri is active  
17 in the community. The Company is focused on helping the communities and businesses in  
18 the region grow. We understand that businesses look to natural gas utilities like Spire  
19 Missouri for access to affordable, reliable energy, and we are dedicated to helping attract  
20 new business to grow Missouri. In 2021, Spire's economic development efforts to promote  
21 industrial and commercial growth helped bring more than 1,800 jobs and more than \$460  
22 million in investment across Missouri.

1           In 2021, Spire Missouri continued to support communities through over 150  
2 organizations and initiatives across Missouri, investing nearly \$2 million with more than  
3 5,800 hours of community service. This commitment has earned Spire Missouri national  
4 recognition as one of “America’s Most Responsible Companies” for three straight years.

5 **Q. DESCRIBE SPIRE MISSOURI’S COMMITMENT TO THE ENVIRONMENT.**

6 A. Spire Missouri actively listens to its customers. One of the comments we consistently  
7 receive from customers is the need to focus on the environment. That is why Spire  
8 Missouri was one of the first natural gas companies to commit to becoming a carbon neutral  
9 company by midcentury. The Company already has made great strides. From 2005 to  
10 2020, we reduced methane emissions from our gas utilities by 43% thanks to infrastructure  
11 upgrades and leak repair programs—and we’re on target to reduce emissions by 57% by  
12 2025 and 73% by 2035.

13 **III. NEED FOR RATE CASE**

14 **Q. PLEASE DESCRIBE THE PRIMARY COMPONENTS OF THIS RATE CASE**  
15 **FILING.**

16 A. This filing is primarily designed to recover Spire Missouri’s investment in infrastructure  
17 and technology and reset the portion of the Company’s overhead costs that are capitalized  
18 as opposed to being included in operating expenses, to name a few. The revenue  
19 requirement model prepared by Company Witness Antrainer reflects an approximately  
20 \$152 million in overall revenue deficiency. The details and components of this deficiency  
21 are discussed further in all of the direct testimonies of the Company’s witnesses as part of  
22 Spire Missouri’s case-in-chief.

23 **Q. WHAT ARE THE ESTIMATED BILL IMPACTS TO CUSTOMERS?**

1 A. The impact to residential customers on the east side of the state would be approximately  
2 \$8.19 a month or a 10.44% increase on their total bill. The impact to residential customers  
3 on the west side of the state would be approximately \$11 a month or a 12.65% increase on  
4 their total bill.

5 **Q. WHEN DID SPIRE MISSOURI FILE ITS LAST RATE CASE?**

6 A. Spire Missouri filed its most recent rate case on December 11, 2020, which was docketed  
7 as Case No. GR-2021-0108, and the Company requested a 5.55% increase in base rates.  
8 The test year for that case was the 12-month period ending September 30, 2020, and was  
9 trued-up for known and measurable revenue, rate base, and expense items through May 31,  
10 2021. In addition to Commission Staff (“Staff”) and the Office of Public Counsel (“OPC”),  
11 the following parties participated in the proceeding: Midwest Energy Consumers Group,  
12 Missouri Industrial Energy Consumers, National Housing Trust, Renew Missouri, Legal  
13 Services of Eastern Missouri, Inc., Consumers Council of Missouri, Missouri School  
14 Boards’ Association, and Vicinity Energy Kansas City, Inc.

15 Our goal throughout the rate proceeding was to set affordable rates for customers  
16 while creating and enhancing services to meet customer needs and expectations. The  
17 Company worked with the parties to Case No. GR-2021-0108 to settle most of the issues  
18 in that proceeding. In fact, the eleven parties submitted a total of four partial stipulations  
19 and agreements, which were addressed by the Commission in its *Order Approving Partial*  
20 *Stipulations and Agreements* issued on September 15, 2021. After the Commission  
21 approved the stipulations, nine issues remained unresolved.

22 On October 27, 2021, the Commission issued the Order in Case No. GR-2021-0108  
23 resolving the nine remaining issues. On November 12, 2021, the Commission issued an

1 Amended Report and Order in Case No GR-2021-0108 (“2021 Order”). The 2021 Order  
2 approved a revenue requirement of approximately \$72 million in comparison to Staff’s  
3 recommended revenue requirement of \$91 million after true-up and reconciliations.  
4 Ultimately, the 2021 Order resulted in a 2.8% increase in the average residential customer’s  
5 bill.

6 **Q. WHEN DID SPIRE MISSOURI FILE THE NOTICE OF INTENDED RATE CASE**  
7 **FILING FOR THIS PROCEEDING?**

8 A. Spire Missouri filed its Notice of Intended Rate Case Filing (“Notice”) on January 5, 2022.  
9 In the Notice, Spire Missouri indicated that it expected to limit the issues in this case.  
10 Accordingly, the Notice indicated that Spire Missouri anticipated requesting that the  
11 Commission decline to further extend the procedural timeline beyond the one hundred  
12 twenty-day period set forth in § 393.150.1 RSMo.

13 **Q. DID SPIRE MISSOURI INTEND TO FILE A RATE CASE RIGHT AFTER A**  
14 **LENGTHY AND FULLY LITIGATED CASE?**

15 A. Absolutely not. Rate cases are a resource drain on the Company, Staff, OPC, and  
16 intervenors. Accordingly, Spire Missouri prefers to not have to file rate cases – particularly  
17 on the heels of a prior rate case. Spire Missouri’s regulatory team only has a handful of  
18 employees and requires assistance of other departments, including legal, accounting,  
19 project management, tax, gas supply, customer experience, operations, and IT. This takes  
20 away resources that could otherwise be focused on customer service, environmental  
21 commitments, modernizing systems, improving processes, or innovation. While Spire  
22 Missouri will always be focused on providing reliable, affordable, and safe service to  
23 customers, the reality is rate cases require a lot of resources that could be used to advance



1 programs or systems that benefit our customers and Missouri. Spire Missouri also must  
2 incur outside expenses associated with filing a rate case. As I discuss below, in this case,  
3 Spire Missouri has tried to keep those costs to a minimum by using internal experts.

4 **Q. GIVEN YOUR PRIOR RESPONSE, WHY IS SPIRE MISSOURI FILING A CASE**  
5 **MONTHS AFTER THE EFFECTIVE DATE OF NEW RATES AND THE 2021**  
6 **ORDER?**

7 A. The reason for filing this case is to follow the Commission's directives in the 2021 Order  
8 and to make adjustments responsive to the Commission's findings. Unless and until those  
9 adjustments and other appropriate updates to the Company's revenue requirement are  
10 made, our rates will not reflect the Company's actual cost of service and will not allow for  
11 earning a reasonable return on investments made to benefit customers. Spire Missouri is  
12 following the Commission's directives and filing to recover the actual cost to serve our  
13 customers.

14 **Q. WHAT DO YOU MEAN WHEN YOU SAY THAT THE REASON FOR THE CASE**  
15 **IS TO FOLLOW COMMISSION DIRECTIVES AND TO MAKE ADJUSTMENTS**  
16 **BASED ON THE 2021 ORDER?**

17 A. In almost every aspect of the case, Spire Missouri listened to the directives of the  
18 Commission in the 2021 Order and made changes. The biggest example is that overheads  
19 are about a \$67 Million issue in this rate case based on the findings of the prior case. The  
20 2021 Order states:

21 [T]he Commission will order Spire Missouri to cease recovery of  
22 capitalized non-operational overhead costs in plant, going forward, until  
23 Spire Missouri's compliance with the USOA is shown. Non-operational  
24 overheads associated with plant additions to be recognized as used and  
25 useful after the effective date of Spire Missouri's tariff sheets may be posted  
26 to a regulatory asset account. This will allow changes to indirect overhead

1 allocations to be implemented on a prospective basis in either ISRS filings  
2 or Spire Missouri’s next rate case. Without Staff’s audit of Spire Missouri’s  
3 compliance with the USOA and Spire Missouri’s performing **the required**  
4 **study** it is not known whether the impact will lead to a rate increase,  
5 decrease or no material change. However, this treatment will prevent  
6 inclusion of non-operational overhead costs that are ultimately determined  
7 to be inappropriate from being included in plant additions recovered  
8 through ISRS cases before the resolution of this issue in Spire Missouri’s  
9 next rate case.<sup>1</sup> (Emphasis added.)

10 The Commission, however, found that “changes to indirect overhead allocations [could]  
11 be implemented on a prospective basis in either ISRS filings or Spire Missouri’s next rate  
12 case.”<sup>2</sup> The Commission also found that “[o]verhead costs determined to be in compliance  
13 with the USOA Plant Instruction requirements shall be included in rate base at the first  
14 opportunity, whether in an ISRS case or rate case.”<sup>3</sup>

15 Until it is addressed, the uncertainty as to this \$67 Million issue and the Company’s  
16 inability to recover its prudently incurred overhead costs could jeopardize Spire Missouri’s  
17 financial abilities. In this case, Spire Missouri is making an adjustment for the new  
18 overhead rate per the study required in the 2021 Order. Following the issuance of the 2021  
19 Order, the Company quickly developed a plan and began working with Staff to address the  
20 list of deliverables and provide Staff with additional information. Spire Missouri  
21 conducted internal and external studies, reviewed other overhead costs that may need  
22 different treatment, and modified the benefit overhead rate calculation. Staff reviewed the  
23 overhead studies the Company provided and approved the methodologies used for various  
24 overhead costs. Company Witness Eric Bouselli discusses the study and Staff’s feedback

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<sup>1</sup> Amended Report and Order, GR-2021-0108, pg. 82.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at pg.83.

1 in greater detail. For my part, I would like to reiterate that the Company sincerely  
2 appreciates Staff working with us on the overhead audit as quickly as possible.

3 **IV. OVERVIEW OF APPROACH TO PROCEEDING**

4 **Q. PLEASE EXPLAIN SPIRE MISSOURI’S APPROACH TO THIS PROCEEDING.**

5 A. Essentially, Spire Missouri used an “update” approach for this proceeding as opposed to  
6 starting from scratch and developing new *pro forma* amounts for each revenue and expense  
7 element. Spire Missouri is using the Commission Staff’s EMS revenue runs, which were  
8 the basis of the 2021 Order with “update” style adjustments for major drivers, similar to  
9 how “true-ups” are handled in rate case proceedings. As I will discuss further below, this  
10 approach was modeled from a rate case filed by the Empire District Electric Company  
11 (“Empire”), which was docketed as Case No. ER-2016-0023.

12 **Q. PLEASE PROVIDE ADDITIONAL INFORMATION REGARDING THE**  
13 **“UPDATE” METHODOLOGY USED IN THE EMPIRE CASE YOU ARE**  
14 **REFERENCING?**

15 A. Empire included schedules in its filing using the Staff’s final EMS run in Case No. ER-  
16 2014-0351 as a starting point for purposes of adjustment. Empire then adjusted the Staff’s  
17 final run for specific items, most of which related to environmental upgrades. However,  
18 some of the adjustments related to increased revenue derived from the last rate case, the  
19 impact of new depreciation rates and other matters. In its case-in-chief, Empire noted that  
20 it did not necessarily agree with Staff’s final EMS, but was simply trying to mitigate the  
21 number of contested issues in the case. Below is a snapshot of the adjustments Empire  
22 made to Staff’s EMS run and how they filed their direct case.

Line No.	Description	Staff EMS	Empire
		Run 03-26-2015	Pro Forma
1	Rate Base	\$ 1,085,833,585	\$ 1,368,113,630
2	Rate of Return	7.73%	7.58%
3	Operating Income Requirement	83,902,361	103,730,375
4	Net Income Available	83,980,920	83,153,801
5	Additional Net Income Required	(78,559)	20,576,575
6	Tax Gross Up Factor	1.62308	1.62308
7	Revenue Requirement	(127,507)	33,397,363
8	Allowance / True Up Estimate	17,450,962	-
9	Gross Revenue Requirement	\$ 17,323,455	\$ 33,397,363
10	Percent Increase in Rate Revenue		7.28%

1  
2 **Q. HOW HAS SPIRE MISSOURI APPLIED THAT APPROACH TO THIS**  
3 **PROCEEDING?**

4 A. Spire Missouri also is using Staff’s EMS run in its last rate case, Case No. GR-2021-0108,  
5 and updating certain components that have changed since that final run. Like Empire, Spire  
6 Missouri does not necessarily agree with the outcome or components in Case No. GR-  
7 2021-0108. However, the Company wants to streamline the proceeding and minimize the  
8 number of contested issues.

9 **Q. DID OTHER PARTIES AGREE TO THE UPDATE METHODOLOGY IN THE**  
10 **EMPIRE PROCEEDING?**

11 A. Yes. Staff, OPC, the City of Joplin, Missouri Department of Economic Development –  
12 Division of Energy and Midwest Energy Consumers Group all agreed to the update  
13 approach in the Empire proceeding. Spire Missouri anticipates some of these same Parties  
14 will participate in this proceeding.

15 **Q. ASIDE FROM IT BEING USED PREVIOUSLY, WHY DO YOU BELIEVE THE**  
16 **UPDATE APPROACH IS APPROPRIATE IN THIS PROCEEDING?**

1 A. Given the recency of the 2021 Order, the proximity of the test year, and adjustment periods  
2 used in that case, Spire Missouri does not believe it would be a good use of administrative  
3 resources to essentially re-do elements of the revenue requirement that were largely agreed  
4 upon by stipulation in Case No. GR-2021-0108. Eleven parties participated in Case No.  
5 GR-2021-0108, which included pre-filed direct, rebuttal, and sur-rebuttal testimony, as  
6 well as direct and rebuttal true-up testimony. On various dates, the eleven parties submitted  
7 a total of four partial stipulations and agreements. Those stipulations addressed all but nine  
8 disputed issues. The Commission approved all four of the partial stipulations by its Order  
9 Approving Partial Stipulations and Agreement dated September 15, 2021. There is no need  
10 to revisit elements of the Company’s revenue requirements that were agreed upon so  
11 recently based on data that has not changed materially.

12 **Q. DOES THIS UPDATE FILING APPROACH HAVE THE ADDED BENEFIT OF**  
13 **REDUCING RATE CASE EXPENSE FOR SPIRE MISSOURI?**

14 A. Absolutely. Since Spire Missouri just recently completed a rate case, we believe it is  
15 unnecessary to “start from scratch” on each element of the revenue requirement. Instead,  
16 we have done a deeper analysis of the elements at issue in the last case – particularly, where  
17 the Commission adopted a different methodology or directed that Spire Missouri apply a  
18 different methodology to determining the revenue requirement in this case. The Company  
19 also updated the major elements of its revenue requirement that change from year-to-year,  
20 like salaries and wages. As I discuss below, just because Spire Missouri is not proposing  
21 to modify one element of its revenue requirement does not mean that another party cannot  
22 make a proposed modification.

23 **Q. HOW DOES THE UPDATE APPROACH SAVE RATE CASE EXPENSE?**

1 A. Because of the limited number of issues, the Company has been able to use internal  
2 witnesses, rather than external witnesses for return on equity or cash working capital in its  
3 direct testimony. We hope we do not have to engage any outside experts throughout the  
4 case, but reserve our right to do so depending on what issues other parties bring forth in  
5 this case.

6 **Q. DOES REDUCING RATE CASE EXPENSE BENEFIT CUSTOMERS?**

7 A. Yes. In recent cases it has been decided that customers and the Company should split rate  
8 case expenses 50/50. The Company is mindful to keep these expenses low for the benefit  
9 of its customers, especially after a year-long litigated rate case.

10 **Q. DOES THIS APPROACH HELP REDUCE THE INTERVENORS' USE OF**  
11 **RESOURCES AS WELL?**

12 A. That is our goal. Spire Missouri believes the limited number of issues should help Staff,  
13 OPC, and other intervenors allocate the resources available to them. Spire Missouri  
14 recognizes the active case load at the Commission and believes this approach will be less  
15 draining on the resources available to the Commission, Staff, and OPC. Other intervenors  
16 also benefit for similar reasons. Starting with the Commission's Staff EMS Run from Case  
17 No. GR-2021-0108 provides a fair starting point for this case and avoids duplication of  
18 efforts just completed.

19 **Q. DOES THE APPROACH SPIRE MISSOURI IS TAKING IN THIS PROCEEDING**  
20 **PREVENT A PARTY FROM RAISING AN ISSUE REGARDING ANY OF THE**  
21 **REVENUE REQUIREMENT OR RATE BASE ELEMENTS THAT ARE NOT**  
22 **BEING TRUED UP?**

1 A. It does not. Spire Missouri has actual data for each element of its revenues and expenses  
2 for the period ending December 31, 2021. Accordingly, a party could propose an  
3 adjustment to another expense or rate base element.

4 **Q. WILL SPIRE MISSOURI BE PROPOSING A STREAMLINED PROCEDURAL**  
5 **SCHEDULE IN THIS PROCEEDING?**

6 A. Yes. As indicated above, the Company believes there are just a few discreet issues in this  
7 proceeding, and we have minimized the number of witnesses in the case. One of the most  
8 significant issues in the proceeding (capitalization of overhead costs) already has been  
9 reviewed by Staff. Given the recency of the review and the fact that the Company  
10 collaborated with Staff on one of the larger issues in this case, I believe the need for  
11 discovery will be significantly lower than in a typical rate case.

12 **Q. IN ORDER TO MAKE A STREAMLINED PROCEDURAL SCHEDULE**  
13 **FEASIBLE, IS SPIRE MISSOURI WILLING TO MAKE ANY OTHER**  
14 **CONCESSIONS?**

15 A. Yes. In addition to the steps described above, Spire Missouri is offering responses to nearly  
16 60 Data Requests to Commission Staff and OPC shortly after filing our direct case. Spire  
17 Missouri also is willing to shorten the standard true-up period, which would likely be  
18 September 30, 2022, and move that to June 30, 2022. Finally, Spire Missouri will agree to  
19 a shortened time for discovery responses.

20 **Q. HOW WOULD SHORTENING THE STANDARD TRUE-UP TIME PERIOD**  
21 **FROM SEPTEMBER 30, 2022, TO JUNE 30, 2022, IMPACT THE CASE?**

22 A. This adjustment would move the time period up by three months. By moving this period  
23 up, the Company would be foregoing approximately \$100 Million in capital deployment

1 that is expected to occur from July through September of 2022, which would equate to  
2 approximately \$7-\$9 million in revenue. This would reduce the revenue requirement and  
3 the impact of this case on customer rates.

4 **V. OVERVIEW OF RATE RELIEF REQUESTED**

5 **Q. WHAT IS THE TEST YEAR FOR THIS PROCEEDING?**

6 A. The test year in Case No. GR-2021-0108 was September 30, 2020, adjusted for known and  
7 measurable rate base and expense items through May 31, 2021. The majority of the  
8 Company's expense and rate base items will still be based on that period. However, in this  
9 proceeding certain elements that have changed materially, or that Spire Missouri is  
10 approaching differently based on findings in the 2021 Order, will be "updated" for activity  
11 occurring from June 1, 2021, through December 31, 2021.

12 **Q. WHAT IS THE OVERALL REVENUE INCREASE SPIRE MISSOURI IS**  
13 **PROPOSING IN THIS PROCEEDING?**

14 A. Spire Missouri is proposing an increase in revenues of \$151.9 million.

15 **Q. HOW WILL THE REVENUE INCREASE BE ALLOCATED AMONG SPIRE**  
16 **MISSOURI'S CUSTOMER CLASSES?**

17 A. The revenue increase will be allocated among the customer classes in accordance with the  
18 cost of service methodology agreed upon and approved in Case No. GR-2021-0108. The  
19 proposed rate increase by customer class is set forth in the minimum filing requirements.

20 **Q. WHAT ELEMENTS OF THE REVENUE REQUIREMENT DID SPIRE**  
21 **MISSOURI UPDATE?**

22 A. At a high level, Spire Missouri is proposing to "update" a few elements of its rate base and  
23 revenue requirement. Those elements include but are not limited to: capital structure;



1 return on equity; overhead costs; plant in service; cash working capital; inventory balances;  
2 regulatory assets; employee salary and benefits; amortization depreciation; and taxes.

3 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE OVERHEAD COST**  
4 **ADJUSTMENT.**

5 A. As mentioned above, Spire Missouri is currently not recovering overhead costs it proposed  
6 to be capitalized in its last rate case. These overheads include salaries and benefits for many  
7 of Spire's more than 2,400 Missouri employees. The inability to fully recover our costs to  
8 serve our customers dramatically diminishes our ability to attract investment, and  
9 ultimately to help Missouri grow. As further discussed by Company Witness Bouselli,  
10 Staff issued a Staff Report on March 18, 2022, which supports the methodology used by  
11 the Company to allocate overhead costs in this proceeding. Accordingly, it is my hope that  
12 this issue will be noncontroversial. The overhead adjustments made in this proceeding are  
13 consistent with the overall purpose of the case, which is to either update elements or to  
14 change the approach used based on findings made in the 2021 Order. Spire Missouri has  
15 listened to the Commission, and Commission Staff and is making a proposal in this case  
16 that we believe aligns with their direction and feedback.

17 **Q. WHAT OTHER ADJUSTMENTS ARE BEING MADE BASED ON THE**  
18 **FINDINGS IN THE 2021 ORDER?**

19 A. Rate of return is another item where adjustments have been made based on the last  
20 proceeding. Specifically, Company Witness Adam Woodard has adopted the Commission  
21 Staff's return on equity model which the Commission used in the Company's last rate case  
22 proceeding. Mr. Woodard updated the model's inputs to reflect current data. Staff's  
23 comparative methodology with these updates yields a return on equity of 10.5%.

1 **Q. ARE THERE OTHER REASONS RATE OF RETURN IS BEING UPDATED?**

2 A. Yes. From the Company’s perspective, Winter Storm Uri, which happened in February  
3 2021, added confusion to capital structure, short-term assets, and gas costs. For example,  
4 a new 13-month average was introduced to Spire Missouri’s capital structure per the 2021  
5 Order.<sup>4</sup> It was also decided that it is not appropriate to include short-term assets and short-  
6 term debt associated with Winter Storm Uri. In applying the 13-month average to the  
7 approximately \$250 million credit facility for Winter Storm Uri costs, the Company only  
8 received credit for about \$60 million, or 3 months, instead of the actual gas costs it was  
9 carrying, which is closer to \$250 million or more. The 13-month average applied to gas  
10 costs significantly impacted short-term assets and notes payable. The Company has  
11 received approval from the Commission on Winter Storm Uri gas costs deferral and has  
12 taken steps to clean up any confusion around Winter Storm Uri costs that may impact the  
13 capital structure.

14 **Q. ARE THERE ANY OTHER ADJUSTMENTS?**

15 A. Yes, several. For instance, cash working capital (“CWC”) is another example of an  
16 adjustment. CWC impacts several components in the revenue requirement model. Based  
17 on the Commission’s findings with respect to taxes in the 2021 Order, Spire Missouri has  
18 adjusted the lead/lag percentage for income taxes to remove any impact to the overall cash  
19 working capital. Company Witness Charles Kuper provides more detail regarding the  
20 CWC adjustment.

21 **Q. ARE THE ISSUES DESCRIBED ABOVE THE MAIN DRIVERS OF THE**  
22 **REQUEST FOR RELIEF IN THIS CASE?**

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<sup>4</sup> Amended Report and Order, GR-2021-0108, p. 82.

1 A. In part, yes. However, we have updated other aspects of Spire Missouri's revenue  
2 requirement as listed above. The rates resulting from the 2021 Order do not reflect the  
3 Company's actual cost of service, nor do they allow it to earn a reasonable return on  
4 investments it has made to benefit customers. For instance, as further discussed by  
5 Company Witness Woodard, the Commission's inclusion of short-term debt in the  
6 Company's capital structure and ROE have resulted in Spire Missouri achieving the lowest  
7 overall rate of return of any Missouri utility. The Commission had never before included  
8 short-term debt in the capital structure of a Missouri utility until Spire Missouri's last  
9 general rate case. Spire Missouri primarily incurs short-term debt to finance short-term  
10 assets and, in some cases, to bridge capital in-between offerings of long-term debt. The  
11 Company does not use short-term debt to finance long-term assets. Therefore, inclusion  
12 of short-term debt in Spire Missouri's capital structure has the effect of significantly  
13 reducing Spire Missouri's rate of return.

14 **Q. IN YOUR OPINION, ARE THE RATES BEING PROPOSED IN THIS**  
15 **PROCEEDING REASONABLE?**

16 A. Yes. The proposed rate increase is necessary in order for Spire Missouri to continue to  
17 provide safe and reliable gas service, as well as to ensure that the Company will continue  
18 to have access to the debt and equity markets on reasonable terms. The overheads issue  
19 identified in the 2021 Order accounts for nearly \$67 million of Spire's request in this case.

20 **VI. TRANSPORTATION TARIFF CHANGES**

21 **Q. IS SPIRE MISSOURI SEEKING ANY OTHER RELIEF IN THIS PROCEEDING?**

22 A. Yes. Along with this rate review, Spire Missouri is proposing changes to its tariffs to better  
23 protect customers from incurring costs relating to Retail Gas Marketers. During Winter

1 Storm Uri in February 2021, Retail Gas Marketers fell short in supplying natural gas to  
2 transportation customers. Spire Missouri stepped in and purchased the necessary gas to  
3 keep those customers in service. These costs from the winter storm event were shouldered  
4 largely by residential and small business customers. While we are working to recover costs  
5 related to Retail Gas Marketers' failure to perform and partially offset any increase in gas  
6 costs, we also developed proposed solutions to better protect customers from incurring  
7 these costs in the future.<sup>5</sup> Company Witness Kristina Embry discusses this issue in greater  
8 detail.

9 **Q. IS SPIRE MISSOURI PROPOSING CHANGES TO THE POOLING AND**  
10 **NOMINATIONS REQUIREMENTS IN THE PROPOSED TRANSPORTATION**  
11 **SERVICE TARIFF?**

12 A. Yes. The Company clarified the Nomination deadlines to reflect the notifications  
13 requirements for day ahead nominations, intra-day nominations and same day nominations.  
14 Respectively, the notifications will be required three hours before the Timely Cycle, the  
15 Evening Cycle and Intra-Day (ID) 3 cycle, subject to confirmation from the Pipeline. The  
16 Company prefers to tie nomination deadlines to FERC-defined cycles, rather than specific  
17 times, because the timing of these cycles has changed in the past and may change again in  
18 the future.

19 **Q. IS THE COMPANY MAKING ANY ADJUSTMENT TO LATE FEES FOR**  
20 **TRANSPORTATION CUSTOMERS?**

21 A. Yes, the Company is proposing a 1.5% charge for transportation customers that are late on  
22 their bill payments. This percentage is consistent with the current rate for late fees in Spire

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<sup>5</sup> See GC-2021-0315, GC-2021-0316, and GC-2021-0353

1 Missouri West and is less than the 2% late fee in place for Spire Missouri East. The 1.5%  
2 late fee aligns with other classes' late payment fees and will provide consistency across the  
3 state. A small revenue adjustment will be made to the transportation class to reflect this  
4 change.

5 **Q. DID THE COMPANY UPDATE ITS CURTAILMENT PROCESS RELATED TO**  
6 **THE TRANSPORTATION SERVICE TARIFF?**

7 A. Yes. The Company updated the curtailment process to be more specific and to clarify that  
8 physical curtailment is an allowed option under the tariff. The Company spent significant  
9 time and resources on curtailment planning since its last general rate case, including STL  
10 Pipeline contingency planning workshops and lessons learned during Winter Storm Uri.

11 **VII. IMPORTANCE OF OBTAINING RATE RELIEF IN THIS PROCEEDING**

12 **Q. HAVE EVENTS TRANSPIRED SINCE THE COMMISSION ISSUED THE 2021**  
13 **ORDER ON NOVEMBER 12, 2021, WHICH MAKE THE NEED FOR RATE**  
14 **RELIEF IN THIS PROCEEDING IMPORTANT?**

15 A. Yes. One of the more significant immediate consequences was Moody's Investor Services'  
16 release of an Issuer Comment on November 17, 2021, citing the 2021 Order as a "\*\*\* [REDACTED]

17 [REDACTED]

18 [REDACTED].\*\*" The Issuer Comment explained that from Moody's  
19 perspective, the 2021 Order "\*\*\* [REDACTED]

20 [REDACTED]

21 [REDACTED].\*\*" Moody's also indicates:

22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

1  
2  
3  
4  
5  
6  
7  
8  
9

[REDACTED]

10 A copy of Moody’s November 17, 2021 Issuer Comment is attached to the direct testimony  
11 of Company Witness Adam Woodard as Confidential Schedule AWW-D2.

12 **Q. HAS MOODY’S LOWERED SPIRE MISSOURI’S CREDIT RATING?**

13 A. Thankfully, not at this time.

14 **Q. IN YOUR OPINION, IS IT IMPORTANT THAT SPIRE MISSOURI’S CREDIT  
15 RATINGS NOT FALL?**

16 A. Yes. If the credit rating for Spire Missouri, a Missouri headquartered business, were to  
17 fall, I am concerned that it could be detrimental to the Company and customers.

18 **Q. ARE CREDIT RATINGS IMPORTANT FOR REGULATED UTILITIES, LIKE  
19 SPIRE MISSOURI, AND THEIR CUSTOMERS?**

20 A. Absolutely. A utility’s credit ratings have a significant impact on its ability to raise capital  
21 on a timely basis and upon reasonable terms. As economist Charles F. Phillips states in  
22 his treatise on utility regulation:

23 Bond ratings are important for at least four reasons: (1) they are used by  
24 investors in determining the quality of debt investment; (2) they are used in  
25 determining the breadth of the market, since some large institutional  
26 investors are prohibited from investing in the lower grades; (3) they  
27 determine, in part, the cost of new debt, since both the interest charges on  
28 new debt and the degree of difficulty in marketing new issues tend to rise

1 as the rating decreases; and (4) they have an indirect bearing on the status  
2 of a utility's stock and on its acceptance in the market.<sup>6</sup>

3 Thus, a utility with strong credit ratings is not only able to access the capital markets on a  
4 timely basis at reasonable rates, it is also able to share the benefit from those attractive  
5 interest rate levels with customers since cost of capital gets factored into utility rates.  
6 Conversely, but of equal importance, the lower a utility's credit rating, the more the utility  
7 must pay to raise funds from debt and equity investors, and those higher capital costs get  
8 factored into the rates that consumers are required to pay. Gas utilities like Spire Missouri  
9 are among the most capital-intensive industries.

10 **Q. IS IT OUT OF THE ORDINARY FOR MOODY'S TO MAKE CONCLUSIONS**  
11 **REGARDING A STATE'S REGULATORY ENVIRONMENT AFTER A**  
12 **COMMISSION ISSUES AN ORDER?**

13 A. No. Regulation is a key factor in assessing the financial strength of a utility because, unlike  
14 for almost all other entities obtaining financing in the marketplace, a state public utility  
15 commission determines revenue levels (recoverable expenses including depreciation and  
16 operations and maintenance, fuel cost recovery, and return on investment) and the terms  
17 and conditions of service that affect a utility's cost of service. As Moody's has noted,  
18 "[t]he ability to recover prudently incurred costs in a timely manner is perhaps the single  
19 most important credit consideration for regulated utilities as the lack of timely recovery of  
20 such costs has caused financial stress for utilities on several occasions."<sup>7</sup>

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<sup>6</sup> Phillips, Charles F., Jr., *The Regulation of Public Utilities*, 250 (3rd Ed. 1993) (Emphasis added). *See also*, *Public Utilities Reports Guide: "Finance,"* Public Utilities Reports, Inc., 6-7 (2004) ("Generally, the higher the rating of the bond, the better the access to capital markets and the lower the interest to be paid.").

<sup>7</sup> Moody's Global: "Regulated Electric and Gas Utilities: Rating Factor 2: Ability to Recover Costs and Earn Returns" August 2009. (available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_118481](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_118481))

1 For these reasons, rating agencies look for the consistent application of sound  
2 economic and regulatory principles by utility regulators. If a regulatory body were to  
3 encourage a utility to make investments based upon an expectation of the opportunity to  
4 earn a reasonable return, and then did not apply regulatory principles in a manner consistent  
5 with those expectations, investor interest in providing funds to the utility would decline,  
6 debt ratings would likely suffer, and the utility's cost of capital would increase, to the  
7 detriment of ratepayers.

8 **Q. HAVE EQUITY ANALYSTS RAISED SIMILAR CONCERNS TO THOSE**  
9 **RAISED BY MOODY'S?**

10 A. Yes. JP Morgan, and Bank of America. A November 16, 2021 report from J.P. Morgan,  
11 attached as Confidential Schedule SAW-D1 states:

12 \*\* [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 \*\*

22 **Q. ARE THERE ANY OTHER CONCERNS WITH THESE REPORTING AGENCIES**  
23 **THAT COULD IMPACT THE CUSTOMER AND COMPANY?**

24 A. Yes. Moody's outlook change has alerted potential debt investors to regulatory instability.  
25 As a result, the Company experienced much more subdued interest in Spire Missouri's  
26 bond offering in December 2021 (after the 2021 Order) relative to May 2021 (before the  
27 2021 Order). This subdued market interest adversely affects both pricing and availability  
28 of debt capital. In short, negative outlooks or downgrades will increase borrowing costs to



1 the Company and ultimately the customer. This is amplified with short term debt in the  
2 capital structure. This could cause large swings in borrowing costs and more frequent rate  
3 cases. In my opinion, regulators and parties to this case should strive for limited rate  
4 impacts and rate changes for the customers.

5 **Q. DOES SPIRE MISSOURI SHARE MOODY’S CONCERN AS STATED IN**  
6 **CONFIDENTIAL SCHEDULE SAW-D1 REGARDING RATE CASE**  
7 **FREQUENCY?**

8 A. Of course. As Moody’s states, “\*\*  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]\*\*” This is why the Company has attempted to structure this case to avoid  
12 contentiousness. Spire Missouri’s hope is that this case can be used to resolve the issues  
13 described by Moody’s, J.P. Morgan, and others, and that the Company will not need to file  
14 another rate case for several years. We also are concerned about the impact that layering  
15 rate cases has on customers.

16 **VIII. SPIRE WITNESSES SUPPORTING THE RELIEF REQUESTED**

17 **Q. PLEASE IDENTIFY THE OTHER WITNESSES OFFERING TESTIMONY ON**  
18 **BEHALF OF SPIRE IN THIS CASE.**

19 A. The other witnesses testifying on behalf of Spire, and their respective subject matters, are  
20 as follows:

<b>Witness</b>	<b>Testimony/Issues</b>
Shelly Antrainer	Revenue Requirements Taxes Minimum Filing Requirements
Adam Woodard	Capital Structure Return on Equity
Eric Bouselli	Overhead Expenses and Capitalization
Kristina Embry	Proposed Changes to Gas Transportation Service Tariff
Chuck Kuper	Cash Working Capital

1

2

**IX. CONCLUSION**

3

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

4

A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Spire Missouri Inc.'s	)	
Request for Authority to Implement a	)	Case No. GR-2022-0179
General Rate Increase for Natural Gas	)	
Service Provided in the Company's	)	
Missouri Service Areas.	)	

AFFIDAVIT

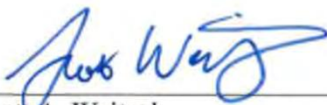
STATE OF MISSOURI	)	
	)	SS.
CITY OF ST. LOUIS	)	

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

1. My name is Scott A. Weitzel. I am the Vice President of Regulatory and Governmental Affairs for Spire Missouri Inc. My business address is 700 Market St., St Louis, Missouri, 63101.

2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Spire Missouri Inc. for the above referenced case.

3. Under penalty of perjury, I hereby declare that the foregoing is true and correct to the best of my knowledge and belief.

	_____
Scott A. Weitzel	
4/1/22	_____
Date	

**SAW-D1 has been marked Confidential in its entirety  
pursuant to 20 CSR 4240-2.135(2)(A)3, 4 and 5**