

Exhibit No: 2
**Issue: Spire On-Bill Financing Cost
Recovery Mechanism**
Witness: Wesley E. Selinger
Type of Exhibit: Direct Testimony
Sponsoring Party: Spire Missouri Inc.
Case Nos.:
Date Prepared:

SPIRE MISSOURI, INC.

File No.

DIRECT TESTIMONY

OF

Wesley E. Selinger

DIRECT TESTIMONY OF WESLEY E. SELINGER

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

2 A. My name is Wesley E. Selinger and my business address is 700 Market St., St. Louis,
3 Missouri, 63101.

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

5 A. I am presently employed as Manager, Rates and Planning at Spire Missouri Inc. (“Spire”
6 or the “Company”).

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

9 A. I have been in my present position since September 2017, when I joined Spire. In this
10 position, I am responsible for managing rate and regulatory matters, including the
11 Company’s ISRS filings, as well as, the rate/regulatory planning and research functions of
12 Spire and its two operating units in Missouri, Spire East and Spire West. As part of my
13 duties, I am responsible for the research, assessment, development, and implementation of
14 Spire’s rate/regulatory initiatives. I am also responsible for advancing those initiatives in
15 the applicable regulatory forum.

16 **Q. WHAT WAS YOUR EXPERIENCE PRIOR TO ASSUMING YOUR CURRENT**
17 **POSITION?**

18 A. Prior to joining Spire, from June 2012 through September 2013, I was employed by the
19 Center for Business and Regulation at the University of Illinois – Springfield as an assistant
20 to the Director of that organization. In that capacity, I assisted in research on regulatory
21 issues and worked with stakeholders from public and private sector groups concerning
22 regulatory issues. From September 2013 to August 2015, I was employed by Vectren
23 Corporation, an electric and natural gas combination utility located in Evansville, Indiana

1 as a Rates Analyst in the Company's Rates and Regulatory Department. In this role, I
2 managed several of the Company's rate adjustment filings, including but not limited to, the
3 Fuel Adjustment Clause and Pipeline Safety Adjustment. I also performed regulatory
4 research and participated in the evaluation and development of the Company's regulatory
5 initiatives. From August 2015 until joining Spire, I was employed by Vectren Corporation
6 as a Senior Regulatory Policy Analyst. In that role, I participated in the evaluation and
7 development of the Company's strategic approach to regulatory developments and
8 initiatives; communicating results and feedback to the Company's executive leadership and
9 implementing those initiatives in the appropriate regulatory venue.

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

11 A. I graduated from the University of Illinois – Springfield with a Bachelor's degree in
12 Economics with a minor in Accounting in 2013. I also earned a Master's degree in Public
13 Administration, from the University of Illinois – Springfield, in 2016.

14 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS**
15 **COMMISSION?**

16 A. Yes. I testified in Case Nos. GO-2019-0115, GO-2019-0116, GO-2019-0356, GO-2019-
17 0357, GO-2020-0229 and GO-2020-0230.

18 **I. PURPOSE OF DIRECT TESTIMONY**

19 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

20 A. The purpose of my direct testimony is to sponsor and explain Spire's proposed On-Bill
21 Financing program cost recovery mechanism.

22 **II. COST RECOVERY MECHANISM**

23 **Q. PLEASE BRIEFLY DESCRIBE SPIRE'S ON-BILL FINANCING PROGRAM.**

1 A. Spire’s On-Bill Financing Program is designed to promote the installation of energy
2 efficiency measures by making program financing available to all residential customers
3 whose homes are shown to benefit from the installation of these measures. Customer
4 homes must undergo an energy efficiency analysis to determine if the installation of
5 energy efficiency measures would result in the requisite cost savings under the program.
6 Unlike other financing programs offered by the Company, the on-bill financing program
7 does not require a credit check to qualify. A detailed description of Spire’s On-Bill
8 Financing Program is included in the direct testimony of Spire witness Shaylyn Dean.

9 **Q. PLEASE PROVIDE A DESCRIPTION OF THE COMPANY’S PROPOSAL FOR**
10 **COST RECOVERY OF ON-BILL FINANCING PROGRAM INVESTMENTS.**

11 A. Spire is proposing to recover on-bill financing program investment costs through a new
12 annual recovery mechanism. This new mechanism would allow Spire to make annual
13 filings to recover the cost of Spire On-Bill Finance Program investments and reflect any
14 offsetting investment recoveries.

15 **Q. HOW WOULD PARTICIPATING CUSTOMERS CONTRIBUTE TO THE**
16 **RECOVERY OF THE FINANCING COSTS OF SPIRE ON-BILL FINANCE**
17 **INVESTMENTS?**

18 A. As described in the testimony of Spire witness Shaylyn Dean, participating customers will
19 payback investments over time through an on-bill finance charge. The on-bill finance
20 charges will be designed to recover investments plus a 4% interest charge and will not
21 exceed 80% of the value of the energy savings the investments generate. In addition, the
22 payback period for an investment is set to 80% of the life of the investment, with a cap of
23 12 years. The difference between the participant finance charge and the Company’s

1 approved cost of capital including a tax gross up and other associated charges such as
2 property tax and O&M expenses will be recovered through annual filings of the new
3 mechanism.

4 **Q. HOW WILL A SPIRE ON-BILL FINANCE CHARGE BE STRUCTURED?**

5 A. Revenue requirements derived in annual Spire On-Bill Financing mechanism filings
6 will be administered as a separate fixed charge line item on customer's bills. Schedule
7 WES-1 contains an example On-Bill Financing specimen tariff sheet.

8 **Q. CAN YOU PROVIDE AN EXAMPLE SPIRE ON-BILL FINANCING
9 MECHANISM REVENUE REQUIREMENT CALCULATION?**

10 A. Yes, Schedule WES-2 attached to this testimony includes an example Spire On-Bill
11 Financing mechanism revenue requirement calculation. As shown, the calculation assumes
12 an annual Spire On-Bill Financing investment spend of \$11 million. This investment
13 amount is offset by customer payments received during the recovery period of
14 approximately \$917,000. The cost of capital approved in Spire's most recent rate case is
15 applied to the net of investments and recoveries and the result is grossed up to account for
16 income taxes. The mechanism would also account for recovery of any associated
17 property taxes and operations and maintenance expenses associated with investments.

18 **Q. HOW WILL SPIRE ON-BILL FINANCING INVESTMENTS BE TREATED IN A
19 FUTURE SPIRE RATE CASE?**

20 A. Spire is proposing to keep recognition of Spire On-Bill Financing investment costs and
21 revenues within its proposed mechanism and not in the Company's rate base used to
22 establish base rates. By taking this approach the Company will be able to

1 contemporaneously reflect investments made and customer bill payments received within
2 the mechanism.

3 **Q. WHY DOES THE COMPANY BELIEVE AN INTERIM COST RECOVERY**
4 **MECHANISM IS APPROPRIATE FOR ITS PROPOSED PROGRAM?**

5 A. While the Company is enthusiastic about offering a new tool to customers to expand
6 opportunities for benefiting from cost-effective energy efficiency investments, on-bill
7 finance programs are still relatively new and have largely been used by electric
8 cooperatives. To its knowledge, Spire would be one of the first pure natural gas utilities
9 to offer such a program. While Missouri electric companies have a vehicle in the MEEIA
10 charge to offer interim cost recovery, as a natural gas utility, Spire has no such
11 mechanism. The Company's proposed mechanism would remedy this inequity and allow
12 Spire to approach on-bill finance costs in a similar manner approved for Missouri electric
13 utilities.

14 **Q. DOES ANY OTHER MISSOURI UTILITY HAVE AN ON-BILL FINANCE**
15 **PROGRAM?**

16 A. Yes. Within the past year, Evergy was ordered by the Commission to establish a PAYS®
17 program, and Ameren Missouri's PAYS® program has been recently approved.

18 **Q. PLEASE DESCRIBE THE COST RECOVERY MECHANISM UTILIZED FOR**
19 **EVERGY AND AMEREN MISSOURI'S ("AMEREN") PAYS PROGRAMS.**

20 A. While Evergy has not made a specific PAYS® proposal at this time, Ameren's PAYS®
21 cost recovery approach was agreed to in settlement and approved by the Commission in
22 Case No. EO-2018-0211. Ameren will recover PAYS® investments through both its
23 MEEIA charge, as well as, through cost deferrals for future recovery.

1 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

A. Yes.

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

In the Matter of the Application of Spire Missouri)
Inc. for approval to establish an On-Bill Financing) Case No. GO-2021-
Program and Cost Recovery Mechanism)

A F F I D A V I T

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

Wesley E. Selinger, of lawful age, being first duly sworn, deposes and states:

1. My name is Wesley E. Selinger. I am the Manager, Rates and Planning at 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.
3. Under penalty of perjury, I declare that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Wesley E. Selinger

Wesley E. Selinger

Dated: October 30, 2020

P.S.C. MO. No.
CANCELLING

P.S.C. MO. No.

Original

SHEET No. 19

Spire Missouri Inc. d/b/a/ Spire

For: Spire Missouri

SPIRE ON-BILL FINANCING PROGRAM SURCHARGE

Description: The On-Bill Financing Charge is designed to recover eligible On-Bill Financing program costs as described in the Company's rules and regulations Sheet Nos. R-30.22 – 30.26 as authorized by the Missouri Public Service Commission.

Applicability: In addition to the other charges provided for in the Company's tariff, a monthly On-Bill Financing Charge shall be added to each customer's bill for service rendered on and after the effective date of the Company's annual On-Bill Financing filings.

Schedule of Surcharges: The amount of the On-Bill Financing Program Charge by rate schedule is as follows:

Residential Service (RG)	\$ 0.00
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Specimen

DATE OF ISSUE:

DATE EFFECTIVE:

ISSUED BY: Scott A. Weitzel, Managing Director, Regulatory & Legislative Affairs
Spire Missouri Inc., St. Louis, MO. 63101

Spire Missouri
Spire On-Bill Financing Program Revenue Requirement Calculation

Total PAYS Expenditures	\$ 11,000,000.00
Recovered Expenditures (Customer Payments)	\$ 916,666.67
Net PAYS Expenditures	\$ 10,083,333.33
Rate of Return	7.20%
ROR Required	<u>725,768</u>
Income Tax Conversion Factor	<u>1.34135</u>
Revenue Requirement on Capital	<u>973,509</u>
Net Property Taxes	220,000
O&M Expenses	-
PAYS Revenue Requirement for the Period	1,193,509