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Witness: Kimberly K. Bolin
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2022-0179
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MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

SPIRE MISSOURI, INC., d/b/a SPIRE

CASE NO. GR-2022-0179

Jefferson City, Missouri
October 2022

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KIMBERLY K. BOLIN
SPIRE MISSOURI, INC., d/b/a SPIRE
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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **KIMBERLY K. BOLIN**

4 **SPIRE MISSOURI, INC., d/b/a SPIRE**

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

6 Q. Please state your name and business address.

7 A. My name is Kimberly K. Bolin. My business address is P. O. Box 360,
8 Suite 440, Jefferson City, Missouri 65102.

9 Q. Are you the same Kimberly Bolin that wrote direct testimony in this case that
10 was filed on August 31, 2022?

11 A. Yes, I am.

12 **EXECUTIVE SUMMARY**

13 Q. What is the purpose of your testimony?

14 A. In this testimony, I provide corrections to Staff's short-term asset versus
15 short-term debt analysis. I also address the direct testimony of Spire Missouri (Spire) witness
16 Adam Woodard concerning his analysis of short-term assets versus short-term debt for
17 purposes of determining whether some amount of short-term debt should be included in
18 Spire's capital structure in this proceeding. Lastly, I discuss the Office of the Public
19 Counsel (OPC) witness David Murray's use of stale data in determining if short-term debt
20 should be included in the capital structure.

21 **CORRECTION TO STAFF'S SHORT TERM ASSET/DEBT ANALYSIS**

22 Q. Does Staff have a correction to make to its original analysis of the short-term
23 assets versus short-term debt?

1 A. Yes. In Staff's original analysis, Staff did not include any regulatory assets or
2 liabilities associated with the Weather Normalization Adjustment Rider (WNAR). These
3 regulatory assets and liabilities should be included as a short-term asset or as an offset to the
4 asset (or liability) as these are short-term in nature (recovered or returned to ratepayers over
5 less than a year's time).

6 Q. With this correction, what does Staff's analysis show in regards to the amount
7 of net short-term debt (short-term debt minus short-term assets)?

8 A. With the addition of the WNAR regulatory assets and liabilities,
9 Staff's analysis shows that the 13-month average of short-term debt exceeds the
10 13-month average balance of short-term assets as of June 30, 2022 in the amount of
11 \$25,597,355. Please see the attached Schedule KKB-r1.

12 **RESPONSE TO TESTIMONY OF SPIRE MISSOURI WITNESS WOODARD**

13 Q. What is the definition of short-term assets?

14 A. Short-term assets or securities in investments refer to assets that are held for
15 less than one year. In accounting, the term "current" refers to a short-term asset, which means,
16 expected to be converted into cash in less than one year, or a short-term liability, coming due
17 in less than one year.

18 Q. How does Mr. Woodard address accounts receivable in his direct testimony?

19 A. In Mr. Woodard's analysis, attached to his direct testimony as Schedule
20 AWW-D13, he includes accounts receivable as a short-term asset.

21 Q. Do you agree that accounts receivable is an item that should be assumed to be
22 financed with short-term debt?

Rebuttal Testimony of
Kimberly K. Bolin

1 A. No. Staff includes in rate base an item called “cash working capital” (“CWC”).
2 Cash working capital is the amount of funding necessary for a utility to pay day-to-day
3 expenses incurred in providing the utility services to its customers. The cash inflow impact of
4 payments received by the Company (accounts receivable) and the cash outflow impact of
5 expenses paid by the Company (accounts payable) are analyzed for cash working capital
6 purposes using a lead/lag study. A major component of the lead/lag study is the determination
7 of the revenue lag. The revenue lag is the amount of time between the day the company
8 provides the utility service, and the day it receives payment from the ratepayers for that
9 service. Therefore, accounts receivable are reflected in the calculation of CWC, and thereby
10 receive a return equal to the utility’s weighted average cost of capital like all other rate base
11 items. Given this, there is no reason to assume that accounts receivable are financed with
12 short-term debt for ratemaking purposes.

13 Q. Did Spire also include accounts payable in its analysis as an item financed
14 using short-term debt?

15 A. Yes.

16 Q. Do you agree with Spire’s decision to include accounts payable as an item
17 financed using short-term debt?

18 A. No. Accounts payable should not be included in the analysis for the same
19 reason as accounts receivable since it is already accounted for in rate base via CWC.

20 Q. Were there any other items Mr. Woodard included in his analysis that he should
21 not have included?

22 A. Yes. Mr. Woodard included regulatory assets and regulatory liabilities in his
23 analysis. Except for the WNAR regulatory assets and liabilities, these are not short-term assets

1 or liabilities in that they are typically held for longer than one year. Staff's position is that
2 only true short-term assets should be considered in an analysis of Spire's short-term debt
3 financing needs. As mentioned earlier in this testimony, Staff has corrected its analysis to
4 include the regulatory assets and liabilities associated with the WNAR.

5 Q. On pages 41 and 42 of Mr. Woodard's direct testimony he states, "These
6 include construction-work-in-progress and deferred regulatory assets, until such are reflected
7 in rate base." If an item is not included in rate base, does that indicate that the item is being
8 supported by short-term debt?

9 A. No. Not all utility assets are included in rate base. For example, due to the
10 nature of the costs included in an accounting authority order (AAO), an unamortized balance
11 of an AAO may not be included in rate base. Also, most of these non-rate base asset balances
12 are amortized over several years, and thus are not a short-term operational need of the
13 company. Therefore, the fact that a particular cost is excluded from utility rate base is not
14 evidence that it is supported by short-term debt financing. In deciding whether an item is
15 supported by short-term debt, the appropriate distinction is whether the asset is a short-term
16 asset or a long-term asset, and not whether the asset will ultimately be reflected in rate base.

17 Q. Do you agree with the net asset position that Mr. Woodard cites on page 42,
18 line 13 of his direct testimony?

19 A. No. Mr. Woodard's calculation of the net asset position includes the items
20 I previously discussed that should not be included in his analysis. If you exclude those
21 items, the net asset position as of February 2022 would be \$54.1 million and as of June 2022,
22 it is \$35.6 million.

1 **RESPONSE TO TESTIMONY OF OPC WITNESS MURRAY**

2 Q. Do you agree with the Office of the Public Counsel (OPC) witness
3 David Murray's use in this proceeding of the same capital structure percentages ordered in the
4 last Spire Missouri rate case (GR-2021-0108)?

5 A. No. Staff believes the most current data should be used in determining the
6 capital structure.

7 Q. Was the ordered capital structure in Case No. GR-2021-0108 based upon
8 information from a year ago?

9 A. Yes. The capital structure in Case No. GR-2021-0108 was based upon
10 information as of May 31, 2021. For capital structure purposes in this case, Staff is using
11 information based upon May 31, 2022 data and will update the information as part of
12 Staff's true-up in this case as of September 30, 2022.

13 Q. Has Staff included any short-term debt in its capital structure?

14 A. Not at the time of the direct filing. Per Staff's analysis, as of December 2021
15 the amount of Spire's net short-term assets exceeded the short-term debt minus any
16 impacts caused by Winter Storm Uri, indicating that short-term debt was not being used to
17 finance items normally included in rate base. The same conclusion holds true for the
18 months following December 2021. The 13-month average of net short-term assets as of
19 June 30, 2022 still shows that the short-term debt exceeds the short-term assets, but
20 the difference is much smaller (approximately \$25.6 million) than it was prior to
21 December 2021 (approximately \$191.2 million as of November 2021).

22 Q. Does this conclude your rebuttal testimony?

23 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's Request for Authority to)
Implement a General Rate Increase for)
Natural Gas Service Provided in the)
Company's Missouri Service Areas)

Case No. GR-2022-0179

AFFIDAVIT OF KIMBERLY K. BOLIN

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW KIMBERLY K. BOLIN and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Kimberly K. Bolin*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.


KIMBERLY K. BOLIN

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 3rd day of October 2022.

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


Notary Public

Short-term Assets vs. Short-term Debt

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Short Term Assets											
Unamortized PGA	\$ (34,876,510)	\$ (22,700,736)	\$ (13,249,011)	\$ (8,294,857)	\$ (5,463,913)	\$ (3,845,420)	\$ (2,642,474)	\$ (1,533,001)	\$ 259,065,562	\$ 260,377,534	\$ 264,149,137
Deferred Purchased Gas Costs	\$ (43,832,259)	\$ (3,414,048)	\$ 1,784,673	\$ 973,560	\$ 9,486,137	\$ 1,616,807	\$ 3,534,917	\$ 5,331,318	\$ (284,337,600)	\$ (250,843,549)	\$ (186,739,267)
Deferred Gas Costs - OFO cover charge & penalties OFO in MO West	\$ 37,149,169	\$ (23,254,343)	\$ 216,500,528	\$ 215,389,975	\$ 211,292,556	\$ 226,766,957	\$ 235,120,439	\$ 244,895,804	\$ 289,078,424	\$ 265,641,779	\$ 223,598,778
Total Gas Costs	\$ (41,559,601)	\$ (49,369,126)	\$ 12,437,231	\$ 15,469,720	\$ 22,715,821	\$ 31,939,384	\$ 43,413,922	\$ 56,095,162	\$ 71,207,427	\$ 82,576,806	\$ 108,409,689
WNAR Assets	\$ 10,126,716	\$ 3,243,525	\$ 8,097,454	\$ 7,669,564	\$ 7,259,103	\$ 7,033,597	\$ 6,877,236	\$ 6,734,564	\$ 4,159,490	\$ 5,962,348	\$ 6,347,587
WNAR Liabilities		\$ (1,745,155)	\$ (1,506,000)	\$ (1,610,489)	\$ (2,809,724)	\$ (2,716,538)	\$ (2,711,654)	\$ (2,693,342)			
Total WNAR	\$ 10,126,716	\$ 1,498,370	\$ 6,591,454	\$ 6,059,075	\$ 4,449,379	\$ 4,317,059	\$ 4,165,582	\$ 4,041,222	\$ 4,159,490	\$ 5,962,348	\$ 6,347,587
CWIP	\$ 107,141,257	\$ 101,461,004	\$ 105,728,161	\$ 93,556,412	\$ 50,023,139	\$ 63,531,155	\$ 77,646,641	\$ 85,624,988	\$ 73,697,964	\$ 66,745,504	\$ 63,778,506
Assets Supported By STD	\$ 75,708,372	\$ 53,590,248	\$ 124,756,846	\$ 115,085,207	\$ 77,188,339	\$ 99,787,598	\$ 125,226,145	\$ 145,761,372	\$ 149,064,881	\$ 155,284,658	\$ 178,535,782
Average Notes Payable	\$ 418,125,000	\$ 295,225,000	\$ 369,375,000	\$ 382,725,000	\$ 183,525,000	\$ 217,525,000	\$ 202,255,000	\$ 229,725,000	\$ 240,925,000	\$ 278,575,000	\$ 364,825,000
Short Term Asset In Excess of Debt	\$ (342,416,628)	\$ (241,634,752)	\$ (244,618,154)	\$ (267,639,793)	\$ (106,336,661)	\$ (117,737,402)	\$ (77,028,855)	\$ (83,963,628)	\$ (91,860,119)	\$ (123,290,342)	\$ (186,289,218)
13-month average	\$ (245,270,283)	\$ (244,043,017)	\$ (244,051,636)	\$ (249,079,410)	\$ (241,775,970)	\$ (238,097,730)	\$ (228,330,275)	\$ (216,182,231)	\$ (205,708,356)	\$ (196,842,617)	\$ (191,166,290)

Short-term Assets vs. Short-term Debt

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Short Term Assets							
Unamortized PGA	\$ 255,675,751	\$ 216,066,328	\$ 174,757,389	\$ 140,263,756	\$ 116,842,272	\$ 106,559,337	\$ 101,200,295
Deferred Purchased Gas Costs	\$ (127,740,812)	\$ (164,254,706)	\$ (112,518,495)	\$ 18,036,458	\$ (10,341,067)	\$ (2,812,939)	\$ 97,439,867
Deferred Gas Costs - OFO cover charge & penalties	\$ 200,844,896	\$ 258,859,710	\$ 234,196,832	\$ 123,249,107	\$ 144,033,687	\$ 144,101,833	\$ 59,980,433
OFO in MO West	\$ (192,598,959)	\$ (192,598,959)	\$ (192,598,959)	\$ (44,357,119)	\$ (44,357,119)	\$ (41,804,625)	
Total Gas Costs	\$ 136,180,876	\$ 118,072,373	\$ 103,836,767	\$ 237,192,202	\$ 206,177,772	\$ 206,043,605	\$ 258,620,595
WNAR Assets	\$ 18,535,048	\$ 15,379,520	\$ 12,517,597	\$ 14,294,844	\$ 12,994,717	\$ 13,052,252	\$ 13,172,893
WNAR Liabilities			\$ (50,401)	\$ (181,355)	\$ (132,165)	\$ (29,522)	
Total WNAR	\$ 18,535,048	\$ 15,379,520	\$ 12,467,196	\$ 14,113,489	\$ 12,862,552	\$ 13,022,730	\$ 13,172,893
CWIP	\$ 54,342,739	\$ 62,067,423	\$ 71,523,978	\$ 68,211,203	\$ 75,906,804	\$ 75,534,183	\$ 49,165,920
Assets Supported By STD	\$ 209,058,663	\$ 195,519,316	\$ 187,827,941	\$ 319,516,894	\$ 294,947,128	\$ 294,600,518	\$ 320,959,408
Average Notes Payable	\$ 180,375,000	\$ 173,775,000	\$ 133,725,000	\$ 277,168,474	\$ 231,044,505	\$ 193,531,012	\$ 285,406,928
Short Term Asset In Excess of Debt	\$ 28,683,663	\$ 21,744,316	\$ 54,102,941	\$ 42,348,420	\$ 63,902,623	\$ 101,069,506	\$ 35,552,480
13-month average	\$ (166,622,943)	\$ (140,952,890)	\$ (110,451,385)	\$ (88,606,526)	\$ (64,874,158)	\$ (36,511,904)	\$ (25,597,355)