

Exhibit No.:
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Witness: Scott A. Weitzel
Type of Exhibit: Direct Testimony
Sponsoring Party: Spire Missouri Inc.
Case Nos. GU-2019-0011
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Spire Missouri Inc.

GU-2019-0011

DIRECT TESTIMONY

OF

SCOTT A. WEITZEL

October 2018

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DIRECT TESTIMONY OF SCOTT A. WEITZEL

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 Manager of Tariffs and Rate Administration for Spire Missouri, Inc. (“Spire Missouri” or “Company”).

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

A. I have been in my present position since August 2016, when I joined Spire. In this position, I am responsible for administration of rates, rules and regulations of Spire Missouri Inc., including its operating units, Spire Missouri East and Spire Missouri West, as filed with the Missouri Public Service Commission.

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 Rep/Analyst where I handled billing, nominations, hedge settlement, and account management for commercial, industrial and municipal gas customers. I then spent 9 years working for Ameren Missouri in various roles relating to its gas supply operations. This work included scheduling gas, peak day planning, capacity and storage planning, gas supply procurement, capacity releases, hedging, gas accounting, responding to data requests, PGA analysis, and review of competitor’s tariffs and cases. I then went to work for Ameren Illinois in the area

1 of gas business development where I focused on extending natural gas to
2 communities that were not currently supplied with natural gas and/or acquiring gas
3 utilities and municipalities.

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

5 A. I graduated from University of Missouri in Columbia in 2003 with a Bachelor of
6 Science in Human Environmental Sciences, with a major in Consumer Affairs and
7 a minor in Leadership and Public Service. I received a Masters of Business
8 Administration from Webster University in 2007.

9 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS**
10 **COMMISSION?**

11 A. Yes, in Files Nos. GR-2017-0215 and GR-2017-0216.

12 **PURPOSE OF TESTIMONY**

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

14 A. The purpose of my testimony is to sponsor and explain the Company's Accounting
15 Authority Order (AAO) application in which we are requesting authorization to
16 defer for potential recovery the significant increase in the government mandated
17 Missouri Public Service Commission annual assessment for Fiscal Year 2019.

18 **Q. WHY IS THE COMPANY REQUESTING AN AAO FOR THE**
19 **COMMISSION ASSESSMENT?**

20 A. The Commission assessment for Fiscal Year 2019 is a \$1,661,778.53 (51.2%)
21 increase from the Fiscal Year 2018 assessment. An increase of over 50% represents
22 an extraordinary, non-recurring and unusual change in the assessment for Spire

1 Missouri. This is an increase that is beyond the control of Spire Missouri and for
2 which no provision is made in the ratemaking process.

3 **Q. IS THE TIMING OF THE COMMISSION ASSESMENT INCREASE**
4 **SIGNIFICANT TO SPIRE MISSOURI?**

5 A. Yes, the assessment increase, and particularly the timing of this increase, is
6 significant to Spire Missouri. Spire Missouri's current rates became effective on
7 April 19, 2018, as a result of the Commission's Order in Files Nos. GR-2017-0215
8 and GR-2017-0216, and resulted in a decrease in rates for its customers. The rate
9 decrease took effect approximately 2 months before the Commission assessment
10 letter was sent. The revenue requirements in those cases reflected the Fiscal Year
11 2018 assessment - \$1,661,778.53 less on an annual basis than the level assessed by
12 the Commission just a few months after the completion of the rate cases. This is in
13 addition to the nearly \$1,000,000 unrecoverable charge the Company already
14 incurred for sharing of expenses related to Files Nos. GR-2017-0215 and GR-2017-
15 0216.

16 **ACCOUNTING AUTHORITY ORDER**

17 **Q. DOES THE COMMISSION HAVE AUTHORITY TO GRANT AN AAO?**

18 A. Yes. Although I am not an attorney, I have been advised by legal counsel that the
19 Commission, pursuant to its authority found in Section 393.140(8), RSMo "to
20 prescribe the accounts in which particular outlays and receipts should be booked",
21 has promulgated Commission Rule 4 CSR 240-40.040. That rule, in turn, prescribes
22 the use of the Uniform System of Accounts ("USOA") adopted by the Federal
23 Energy Regulatory Commission. The USOA provides for the deferred treatment

1 of extraordinary costs. An application for an AAO contains a single factual issue -
2 - whether the costs, which are asked to be deferred, are extraordinary in nature or
3 otherwise qualify for deferral. As the Commission has previously stated, all other
4 issues remain for later determination, “including, but not limited to, the prudence
5 of any expenditures, the amount of recovery, if any, whether carrying costs should
6 be recovered, and if there are any offsets to recovery.” Mo.P.S.C.3d 200, 203-204
7 (1991).

8 **Q ARE THERE ANY SPECIFIC STANDARDS THAT GOVERN WHEN AN**
9 **AAO SHOULD BE ISSUED?**

10 A. Again, I have been advised by legal counsel that Section 393.140(8), RSMo does
11 not contain any express standard for the exercise of AAO authority and therefore,
12 it is within the Commission’s discretion. I have also been advised that Missouri
13 courts have recognized the Commission’s authority to approve an AAO, and there
14 is nothing in the Public Service Commission Law or the Commission’s regulations
15 that would limit the grant of an AAO to any particular set of circumstances.

16 **Q. HAS THE COMMISSION ISSUED AAO’S IN MISSOURI UTILTY**
17 **REGULATION?**

18 A. Yes, the Commission has repeatedly approved AAO’s in electric cases, gas cases,
19 and water cases.

20 **Q. HAS THE COMMISSION ISSUED AAO’S THAT ARE RELEVANT TO**
21 **SPIRE’S ISSUE OF AN UNPREDICTABLE GOVERNMENT CHANGE?**

22 A. Yes. The Commission has in the past issued AAO’s for costs “caused by
23 unpredictable events, acts of government and other matters outside the control of

1 the utility or the Commission.” *In the Matter of St. Louis County Water Company’s*
2 *Tariff Designed to Increase Rates*, MoPSC Case No. WR-96-263, p. 13 (December
3 31, 1996). The Commission has further stated that it “has periodically granted
4 AAOs and subsequent ratemaking treatment for various unusual occurrences such
5 as flood-related costs, changes in accounting standards, and other matters which are
6 unpredictable and cannot adequately or appropriately be addressed within normal
7 budgeting parameters.” *Id.* at p. 14. Further, the Commission has issued AAOs for
8 Commission enacted mandates such as gas safety programs and changes in the Cold
9 Weather Rule.

10 **Q. CONSISTENT WITH THIS CRITERIA, HOW IS THE COMMISSION**
11 **ASSESSMENT UNPREDICTABLE AND SOMETHING THAT CANNOT**
12 **ADEQUATELY OR APPROPRIATELY BE ADDRESSED WITHIN**
13 **NORMAL BUDGETING PARAMETERS?**

14 A. The Commission assessment can vary greatly causing unpredictable assessments
15 from the Commission. The fiscal year 2017 Commission assessment was
16 \$2,916,945.74. Just two years later the fiscal year 2019 Commission assessment is
17 \$4,904,390.63. A change of \$1,987,444.89. This unpredictable change, which
18 arises from a number of factors beyond the Company’s control, including when
19 other utilities file rate cases, makes normal budgeting parameters extremely
20 difficult to forecast. These two assessments were chosen as an example because
21 they represent the minimum and maximum Commission assessments in the past
22 decade.

1 **Q. WHAT HAS BEEN THE COMMISSION ASSESSMENTS AND PERCENT**
2 **CHANGES OVER THE PAST DECADE?**

3 A. This information was provided to Staff in data request 0001. It is clear that a 51.2
4 percent change is unusual in nature and an infrequent occurrence. A summary can
5 be seen in the table below.

MPSC Assessments
Spire Missouri, Inc (East and West)

Fiscal Year	Annual	Percent Change
2008	4,147,693.60	
2009	3,980,583.92	-4.0%
2010	3,585,137.41	-9.9%
2011	4,041,676.12	12.7%
2012	3,463,112.65	-14.3%
2013	3,384,578.19	-2.3%
2014	3,384,369.51	0.0%
2015	3,954,922.54	16.9%
2016	3,364,459.91	-14.9%
2017	2,916,945.74	-13.3%
2018	3,242,612.10	11.2%
2019	4,904,390.63	51.2%

6
7 **Q. DO YOU HAVE SOME EXAMPLES OF SITUATIONS WHERE THE**
8 **COMMISSION HAS GRANTED AAO'S FOR EXPENSES THAT ARE**
9 **DIFFICULT TO PREDICT?**

1 A. Yes, among others, these would include, AAO's for volatile pension and post-
2 retirement benefits that, because of market, contribution and other factors can vary
3 significantly for from year to year, such as:

- 4 • Costs associated with the implementation of FAS 87 for pension expense
5 (*In the matter of Missouri Cities Water Company*, 2 Mo.P.S.C.3d 60,
6 January 8, 1993); and,
- 7 • Cost associated with the implementation of FAS 106 (*In Re Union Electric*,
8 1 Mo.P.S.C.3d 328, 330 (EO-92-179) (June 12, 1992); *In Re St. Joseph*
9 *Light and Power Company*, 2 Mo.P.S.C.3d 248, 270 (ER-93-41, EC-93-
10 252) (June 25, 1993) (In referring to the Western Resources proceeding,
11 "[t]he Commission also found that expenses related to the adoption of FAS
12 106 are extraordinary or unusual items which qualify for deferral and later
13 amortization."); *In Re Missouri Gas Energy*, 3 Mo.P.S.C.3d 203 (GO-94-
14 255) (September 28, 1994); *In Re Empire District Electric Company* (EO-
15 93-35) (February 2, 1993)).

16 **Q. YOU MENTIONED THAT THE COMISSION HAS ALSO GRANTED**
17 **AAOS FOR EXPENSES ASSOCIATED WITH GOVERNMENTAL**
18 **ACTION. CAN YOU PROVIDE SOME EXAMPLES?**

19 A. Yes. The Commission has granted AAO's for this reason in a number of different
20 contexts. Among others, they include authorizations relating to:

- 21 - Payments for new property tax on natural gas held in storage in Kansas (*In*
22 *re Missouri Gas Energy*, 2005 Mo. PSC LEXIS 1191 (GU-2005-0095,
23 2005);

- 1 - Costs to comply with new gas safety rules (GO-97-301, GO-2002-0048);
- 2 - Cost to comply with the Clean Air Act (In the matter of the application of
- 3 Missouri Public Service, 1 Mo.P.S.C.3d 200, 203-204 (1991)); and,
- 4 - The emergency cold weather rule (GA-2002-285, GA-2002-377).

5 **Q. HOW DOES FERC DEFINE AN “EXTRAORDINARY ITEM”?**

6 A. The General Instructions of the Uniform System of Accounts states as follows:

7 “7. *Extraordinary items.* It is the intent that net income shall reflect all items
8 of profit and loss during the period with the exception of prior period
9 adjustments as described in paragraph 7.1 and long-term debt as described
10 in paragraph 17 below. **Those items related to the effects of events and**
11 **transactions which have occurred during the current period and which**
12 **are of unusual nature and infrequent occurrence shall be considered**
13 **extraordinary items. Accordingly, they will be events and transactions**
14 **of significant effect which are abnormal and significantly different**
15 **from the ordinary and typical activities of the company, and which**
16 **would not reasonably be expected to recur in the foreseeable future.** (In
17 determining significance, items should be considered individually and not
18 in the aggregate. However, the effects of a series of related transactions
19 arising from a single specific and identifiable event or plan of action should
20 be considered in the aggregate.) To be considered as extraordinary under
21 the above guidelines, an item should be more than approximately 5 percent
22 of income, computed before extraordinary items. **Commission approval**
23 **must be obtained to treat an item of less than 5 percent, as**
24 **extraordinary.** (emphasis added)”
25

26 **Q. UNDER THE FERC DEFINITION, WOULD THE EXTRAORDINARY**
27 **INCREASE IN THE ASSESSMENT QUALIFY FOR AAO TREATMENT?**

28 A. Yes, it does. The magnitude of FY 2019 assessment increase is a “of significant
29 effect”¹, which is “abnormal and significantly different from” such increases (or
30 decreases) in the past, and which would not reasonably be expected to recur in the
31 foreseeable future. Although it does not meet the FERC 5 percent of income

¹ It is difficult to deny that an increase of more than 50% is significant.

1 threshold, that just means that Spire cannot automatically defer it but, rather, must
2 seek Commission approval. That is why Spire filed this case.

3 **Q. WHAT WOULD HAPPEN IF THE ASSESSMENT DROPPED BELOW**
4 **THE \$3,242, 612.10 CURRENTLY REFLECTED IN RATES IN FY 2020?**

5 A. The Company would be willing to also defer any such over-recoveries until the next
6 rate case. Assessments cannot be avoided, and the amounts are largely out of the
7 control of the utilities – as such, both increases, and decreases should be tracked
8 and recovered from, or refunded to, customers as part of the Company’s next
9 general rate proceeding.

10 **Q. WHAT ACTION SHOULD THE COMMISSION TAKE AS A**
11 **CONSEQUENCE OF THE GOVERNMENTAL ACTION RESULTING IN**
12 **AN OVER 50% INCREASE IN THE ASSESMENT TO SPIRE MISSOURI?**

13 A. The Commission should grant Spire Missouri the accounting authority order it has
14 requested in this proceeding.

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

16 A. Yes, it does.

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

In the Matter of Spire Missouri Inc.'s)
Request for an AAO) File No. GU-2019-0011
)

A F F I D A V I T

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

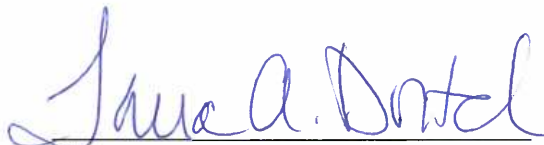
Scott A. Weitzel, of lawful age, being first duly sworn, deposes and states:

1. My name is Scott A. Weitzel. I am Manager, Tariffs and Rate Administration 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. I hereby swear and affirm 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.



Scott A. Weitzel

Subscribed and sworn to before me this 1 day of October 2018.



Notary Public

