

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

In the Matter of Spire Missouri, Inc. d/b/a)	
Spire’s Request to Decrease Its WNAR)	<u>Case No. GO-2019-0058</u>
)	
In the Matter of Spire Missouri, Inc. d/b/a)	
Spire’s Request to Increase its WNAR)	<u>Case No. GO-2019-0059</u>

**THE MISSOURI OFFICE OF THE PUBLIC COUNSEL’S
POST-HEARING BRIEF**

COMES NOW the Office of Public Counsel (OPC or Public Counsel) and for its Post-Hearing Brief in this case states that the Public Service Commission (Commission) should order Spire Missouri, Inc. (Spire) to permanently adopt and use the Commission Staff’s (Staff) methodology for calculation of its Weather Normalization Adjustment Rider (WNAR) as the correct methodology for calculating the WNAR surcharge amount.

Public Counsel’s Brief is organized by the list of issues submitted by the Staff with Public Counsel’s concurrence. In this Brief, OPC will first respond to the filed List of issues followed by OPC’s response to the Commission’s questions posed in its January 18 *Order Concerning Briefs*.

INTRODUCTION

This issue arises from Spire’s most recent rate cases. (GR-2017-0215 and GR-2017-0216.) In those rate cases, Spire filed for a revenue stabilization mechanism (RSM). Spire sought the RSM pursuant to the provisions of Section 386.266.3, RSMo, for each of its operating units.

In the rate cases the Commission found that Spire’s RSM was inconsistent with the authorizing statute because the statute limited rate adjustments based on variations of customer usage due to weather or conservation or both. *Amended Report and Order, (Amended Order)*

GR-2017-0215 and GR2017-0216, p. 83. The Commission added that because neither Spire East nor Spire West were having difficulty meeting their revenue requirements there was no need for the RSM. *Id.* at 83084, Staff proposed the WNAR tariff in the rate case as reasonable under the statute because it directly related to customer usage due to weather variations as contemplated by the enabling statute. Section 386.266.3 RSMo Spire’s witness Scott A. Weitzel’s claims the WNAR has not been previously been litigated, Ex. 100, Weitzel Direct, p. 4:15-19. A brief summary of Staff witness Michael L. Stahlman’s rebuttal testimony proves Spire’s claim to be mistaken and inaccurate.

The first WNAR tariff sheets were presented during the hearing which were modeled off of the example tariffs attached to my Rebuttal. Spire was allowed by the Commission to review and respond to these first WNAR tariff sheets in true-up. In response to the WNAR tariff sheets, Spire witness Mr. Buck submitted an affidavit with three proposed changes; however, none of the three proposed changes by Mr. Buck addressed the matter at issue in this case. . . .

The Commission then ordered the WNAR tariff sheets to go into effect with one of Spire’s proposed modifications. Therefore, the WNAR tariff, which includes Staff’s method of calculating weather normals, is an issue that has been litigated and decided by the Commission.

Ex.203 Stahlman Rebuttal. p. 3: 3-14. footnotes omitted

Spire claims it needs “more experience” with the calculation: “So we would prefer to go ahead and live with the fixed outputs that were determined in the rate case until we either have another rate case or we can go to the staff and say, you know, we’ve digested this more and we’re comfortable with taking this approach.” Tr. Vol. 2, 22:5-9. Contrary to Spire’s claim, Public Counsel notes that Spire’s claim of having to “digest” the Staff’s long-used approach disregards the fact that the “Staff has used this method to determine daily weather normal variables in gas and electric rate cases since the early-1990’s[.]” Ex. 301, Mantle Rebuttal, p. 2:10-11.

Further, in terms of Spire needing more “experience,” Spire can use Staff’s workpapers to make its calculations. At hearing in the following exchange with Jeff Keevil, Dr. Won explained:

Q. [H]as staff provided its work papers to the Company as to how to calculate – how staff calculates the daily normals?

A. Yes, we provide work paper. If Company want to get new time period of normal, they just plug in the work paper, associate actual weather applying the work paper that produce automatically normal weather.

Q. So the Company can simply take the work paper that was provided to them by staff, update it to include the current period actual weather and the work paper spits out the correct answer; is that correct?

A. Yes.

Q. So it's really not that tough?

A. No.

Tr. Vol. II. p. 110: 8-21.

In this case, the surcharge is a credit to Spire Missouri East customers and a charge to Spire Missouri West. Ex. 202, Stahlman Direct, p. 1: 21-22. The logical conclusion is that Spire wants more “experience” to try to find a way to always have a positive outcome from the surcharge for the Company regardless of the weather.

Issue 1

Does the Weather Normalization Adjustment Rider (“WNAR”) tariff language of Spire Missouri East and Spire Missouri West [i.e., P.S.C. MO. No. 7, Sheet No. 13 and P.S.C. MO. No. 8, Sheet No. 13] which was ordered in the Commission’s Amended Report and Order in Case Nos. GR-2017-0215 and GR-2017-0216 mean:

(a) that daily normal weather ranked on current-accumulation-period-actual-daily-temperature data and compared to current-accumulation-period-actual-daily weather should be used for purposes of calculating the WNAR adjustments or

(b) that daily-normal weather ranked on 2016 actual-daily-temperature data and compared to current-accumulation-period [2018 in this case]- actual-daily weather should be used for purposes of calculating the WNAR adjustments?

To state this issue another way, the question is what time period of daily normal weather should be used for calculating Spire's WNAR surcharge adjustments. Considered together, Spire's Commission-approved-WNAR tariff sheet language, the Commission's order granting the WNAR adjustment in Spire's most recent rate cases (GR-2017-0215 and GR-2017-0216), and the overwhelming weight of the evidence, the answer is evident: the daily-normal weather ranked on the current-accumulation period actual-daily-temperature data and the current-accumulation-period actual-daily weather should be used for purposes of calculating the WNAR adjustments. The accumulation period for this filing, in what is Spire's initial WNAR cases, is April through July 2018. Therefore, daily-normal weather ranked for 2018 actual-daily-temperature data should be used for WNAR adjustments.

Staff's ranking methodology should be used.

Public Counsel encourages the Commission to require Spire to use Staff's ranking methodology for daily normal weather in calculating each WNAR rate adjustment period, just as Liberty Utilities has done in its recent WNAR case. (Stahlman's rebuttal page 3, line 17) Public Counsel's expert witness is particularly well informed about weather normalization and the calculation of normal weather. In the early 1990's, Lena M. Mantle, P.E. "participated in the development of the Staff's methodology for calculating normal weather using the methodology that Staff used to determine its recommended WNAR" in Spire's recent rate cases. Ex. 300, Mantle Direct, p.3: 1-6.

In her testimony Ms. Mantle discussed the intent of the WNAR in terms of the Commission's *Report and Order* in the rate cases: "the intent of the WNAR is to accurately resolve (Spire's) revenue fluctuations due to weather." Ex. 300, Mantle Direct, p. 2: 25-26.

With a volumetric rate, the goal of the companies to increase revenues by selling more gas is misaligned with the goal of conservation for customers. This misalignment is best resolved by using Staff's climatic normal and weather normalization because annual natural gas usage is *95 percent correlated with annual heating degree days (HDD)*.

Based on Staff's weather normalization regressions, a mechanism based solely on weather could account for over 97 percent of usage variation within a given year. Thus, a weather normalization adjustment rider would account for most of the variations due to weather.

Ex. 300, Mantle Direct, p. 2: 4-24. (emphasis added.)

Spire's methodology is illogical and invalid.

Spire's use of daily-normal weather ranked on 2016 actual-daily-temperature data to compare to 2018 actual-daily weather is incorrect in every respect. Public Counsel encourages the Commission to require Spire to use Staff's ranking methodology for daily normal weather in calculating each WNAR rate adjustment period

The Commission should find that Spire's approach is not in accord with the tariff language because it promotes rather than reduces volatility and it introduces bias into the calculation by failing to maintain the correlation between actual weather and normal weather. In its Order the Commission found that correlation to be accurate. There is no evidence and no reason to think that the accepted correlation between HDD and residential gas usage would have changed during the accumulation period.

In its calculation, Spire fails to maintain that relationship and undermines that correlation between actual weather and HDD. There is a positive correlation between residential customer

gas usage and HDD. Ex. 201, Won Rebuttal, p.3. In making its WNAR adjustments, Spire used incorrect and disassociated normal daily HDD from 2016, eliminating the positive correlation between usage and temperature (HDD). Using this invalid daily normal weather introduced a bias in Spire's WNAR adjustments. "According to the formula in Spire's WNAR tariff, the relationship between daily temperatures and daily gas usages should be preserved as it was calculated in the most recent rate cases. If daily normal weather values are not properly assigned to the associated rank of each month actual MDTs, the relationship between temperature and gas usage is distorted so that the calculation of WNAR would be biased." Ex. 200, Won Direct, p. 7:5-9.

In redirect by Mr. Keevil, Dr. Won explains:

Q. But would using Spire's method, I believe you told the judge it would eliminate the usefulness of beta; is that correct?

A. Relationship is [broken] so we cannot use.

Q. So using Spire's method would break the relationship [correlation] between usage and heating degree days. So the calculation of the beta would just be out the window?

A. No, we cannot use.

Tr. Vol. II, p. 113:15 - p. 114:3.

In questioning by Mr. Keevil, counsel for Staff, Dr. Won explained that Spire's flawed approach does not conform to the Commission-approved tariff *formula*. Tr. Vol. 2 p. 39. Using this invalid daily normal weather introduced a bias in Spire's WNAR adjustments.

Issue 2

If the Commission determines that the weather normalization adjustment rider (“WNAR”) tariff sheets of Spire Missouri East and/or Spire Missouri West [i.e., P.S.C. MO. No. 7, Sheet No. 13 and P.S.C. MO. No. 8, Sheet No. 13, respectively] are vague regarding how the WNAR rate adjustments are to be calculated, is Staff’s or Spire’s interpretation of the tariff and calculation method most consistent with the Commission’s intent when it ordered adoption of the WNAR tariff?

Spire’s WNAR tariff sheets are not vague or ambiguous.

Not only are Spire’s WNAR tariff sheets not vague, the tariff specifies the method and contains the formula to be applied when making the calculation. There is nothing ambiguous in the formula.

$$WNA_t = \sum_{j=1}^{18} ((NDD_{ij} - ADD_{ij}) \cdot C_{ij}) \cdot \beta$$

Contrary to Spire’s claims there is nothing that “even mentions” the Staff’s ranking method; the tariff language is clear that Spire should use the same method Staff used when the tariff says the calculation should be “based upon Staff’s daily normal weather *as determined* in the most recent rate case.” (emphasis added). Spire’s interpretation of the tariff ignores this entire clause of the tariff. Spire removes the important conjunctive “as” from the tariff language, which results in misinterpretation. The word “as” when used as a conjunctive means “the method used” or “how something was done.” Ex. 207, Definition of “As,” Merriam-Webster. *See also* Cambridge Dictionary for definition of as used in the conjunctive: “in the same way.” <https://dictionary.cambridge.org/dictionary/english/as>

The tariff language was written thus because Staff’s ranked method requires not just a rote list of normal weather but that the normal weather be “based upon Staff’s daily normal weather *as determined* in the most recent rate case”, i.e., the normal weather would be determined for each

accumulation period ranked consistent with the actual weather of the period. Ex. 202 Stahlman Direct, p. 2:11-16. Mr. Stahlman further explains Spire’s error in interpretation: “Mr. Weitzel’s interpretation ignores an entire clause of the tariff, ‘based upon Staff’s daily normal weather as determined in the most recent rate case. . . . Staff’s ranking method is how Staff’s daily normal weather was determined in the most recent rate case.’” Mr. Stahlman explains that the tariff language was written [in this way] because Staff’s ranking method requires the normal weather to be ranked consistent with the actual weather of the [WNAR] period.

COMMISSION QUESTIONS

After the conclusion of the evidentiary hearing in this matter, the Commission issued its *Order Concerning Briefs* in which it directed each party to include the following items in their briefs, when addressing the issues heard at the evidentiary hearing:

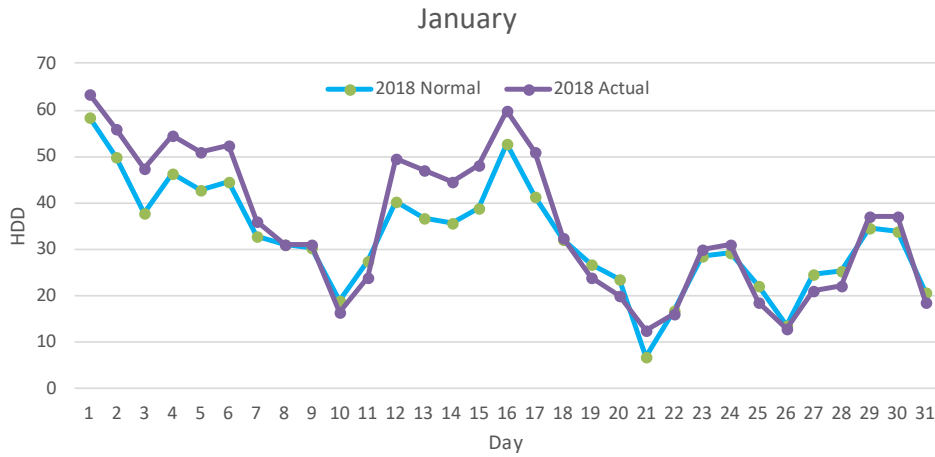
Each of these issues is addressed below:

- 1. In their briefs, each party shall set out a plain and simple example of both of the two different methods described in the evidence at the evidentiary hearing for calculating the “NDDij” factor used in the weather normalization adjustment (“WNA”) formula adopted in the tariff sheets (“Tariffs”).**

Response: Please see the graphic examples depicting the difference between the two methods in Exhibit 302. The first graph, shown below demonstrates the desirable and necessary positive correlation (95%) and the limited variability when the actual weather in the WNAR period is compared to normal weather for the same period of time.

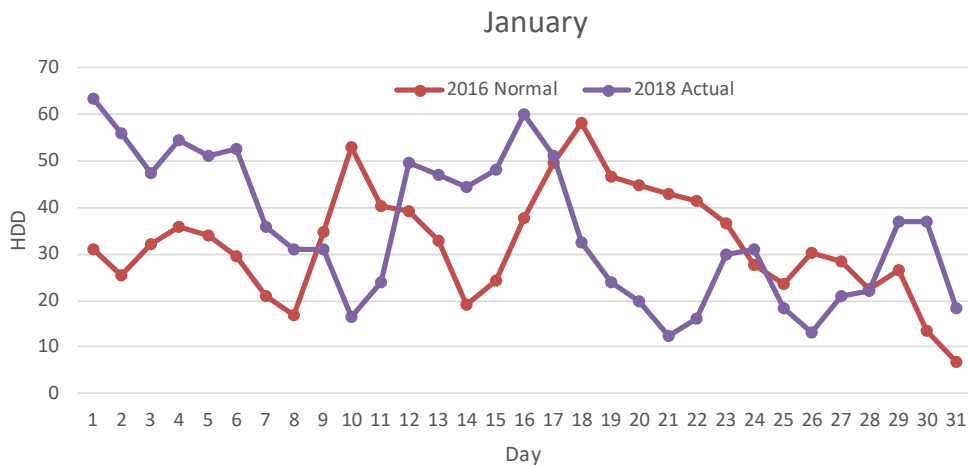
Weather Normalization Adjustment Rider

Normal WNA Period - Actual WNA Period



Normal Test Year - Actual WNA Period

The second graph, reproduced below, demonstrates the volatility between the actual weather and the normals that Spire proposes to use.



While the volatility may work itself out over a long period of time, these WNAR adjustments are for accumulation periods of six months. Using Spire's normals will unnecessarily introduce volatility into the adjustment mechanism and onto customer bills.

2. In their briefs, the parties shall address whether the Tariffs’ definition of the NDD_{ij} factor is ambiguous.

Response: The tariff’s definition is not ambiguous. Spire’s tariff uses the definition of NDD_{ij}: “The total normal heating degree days based upon Staff’s daily normal weather as determined in the most recent rate case.” Spire’s interpretation of the tariff ignores an entire clause of the tariff, “based upon Staff’s daily normal weather as determined in the most recent rate case”. The tariff language is clear that Spire should use the same method Staff used when the tariff says the calculation should “based upon Staff’s daily normal weather *as determined* in the most recent rate case.” Spire’s interpretation of the tariff ignores this entire clause. The tariff language was written thus because Staff’s ranked method requires the normal weather to be ranked consistent with the actual weather of the period. Ex. 202, Stahlman Dir., 2:11-16.

Mr. Stahlman further explains Spire’s error in interpretation: “Mr. Weitzel’s interpretation ignores an entire clause of the tariff, ‘based upon Staff’s daily normal weather as determined in the most recent rate case. . . . Staff’s ranking method is how Staff’s daily normal weather was determined in the most recent rate case.” Ex. 203 Stahlman Rebuttal, p.1:21- 2:3

Spire reads the important conjunctive “as” out of the tariff language, which results in misinterpretation. The word “as” when used as a conjunctive means “the method used” or “how something was done.” Ex. 207, Merriam Webster dictionary.

3. In their briefs, the parties shall address how adopting Spire Missouri, Inc.’s methodology may affect the “β” (“Beta”) value in the Tariffs’ WNA formula.

Beta is a result of regressions used in the rate case to estimate the relationship between usage and weather. In the rate case there is an adjustment to normalized revenues (and billing determinants) based off of a weather adjustment calculated as the difference between daily normal weather (assigned using monthly rank in test year) and actual test year weather. If normal weather

was assigned differently, then there would be a different adjustment to the revenues, which would result in different billing determinants and different rates charged to customers. Consistency in the methodology of assigning normal HDD to the days retains this relationship between the normalized revenues in the rate case and the actual revenues collected.

For all the reasons noted above Public Counsel recommends the Commission accept Staff's methodology as the only accurate and reasonable calculation for determining a WNAR surcharge adjustment.

WHEREFORE the Office of the Public Counsel submits its Initial Brief in this case.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record this 29th day of January, 2019.

/s/ Lera Shemwell