

Exhibit No:	—
Issues:	Litigation Defense Fees, and Insurance Premiums
Witness:	Eric Lobser
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Spire Missouri Inc.
Case No.:	GR-2021-0108
Date Testimony Prepared:	July 14, 2021

SPIRE MISSOURI INC.

CASE NO. GR-2021-0108

SURREBUTTAL TESTIMONY

OF

C. ERIC LOBSER

JULY 14, 2021

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1 **SURREBUTTAL TESTIMONY OF C. ERIC LOBSER**

2 **I. INTRODUCTION**

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

4 A. My name is C. Eric Lobser and my business address is 700 Market Street, Saint Louis, MO
5 63101.

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

7 A. I am currently Vice President of Insurance Programs for Spire Missouri Inc. (“Spire” or
8 “Company”)

9 **Q. ARE YOU THE SAME C. ERIC LOBSER THAT FILED REBUTTAL TESTIMONY**
10 **ON BEHALF OF SPIRE ON JUNE 17, 2021?**

11 A. Yes, I am.

12 **II. PURPOSE OF TESTIMONY**

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

14 A. The purpose of my Surrebuttal Testimony is to respond to the position taken by Missouri
15 Industrial Energy Consumers (“MIEC”) and Vicinity witness Greg Meyer regarding insurance
16 premiums. I also respond to Staff witness Jeremy Juliette regarding lawsuit costs.

17 **Q. MR. MEYER STATES THAT IF SPIRE’S COSTS ARE KNOWN AND**
18 **MEASURABLE AS OF THE TRUE-UP DATE THAT THEY SHOULD BE**
19 **INCLUDED. (Meyer Rebuttal, pg. 3.) ARE SPIRE’S ACTUAL INSURANCE COSTS**
20 **KNOWN AND MEASURABLE AT THIS POINT?**

21 A. Yes. Spire has updated its insurance premiums based upon renewals completed March 30,
22 2021, and has updated the three-year average claims paid through May 31, 2021. As a result,
23 these costs now reflect actual costs through the true-up period and are known and measurable

1 at this time. Accordingly, these expenses are appropriate for inclusion in Spire’s cost of
2 service.

3 **Q. WHAT IS STAFF’S GENERAL POSITION REGARDING TRUE-UPS?**

4 A. As noted in Staff’s May 12, 2021 Cost of Service Report, true-ups are typically appropriate
5 when material changes to the revenue requirement will occur within a period close enough to
6 the operation of law date in the case to allow for a review and verification of known changes.
7 (Staff Report at p. 3.)

8 **Q. ARE YOU IN AGREEMENT WITH STAFF’S RATIONALE REGARDING TRUE-
9 UPS?**

10 A. Yes. Staff’s explanation is consistent with sound and well-accepted regulatory principles.

11 **Q. IS INSURANCE EXPENSE AN EXPENSE THAT STAFF PROPOSES TO UPDATE
12 AS PART OF ITS TRUE UP AUDIT?**

13 A. Yes. (Staff Report at p. 4.) Spire agrees that truing-up this expense is appropriate.

14 **Q. MR. MEYER ALSO DISCUSSES COSTS ASSOCIATED WITH THE McGAUGHY
15 LITIGATION MATTER AND SUGGESTS THAT THESE COSTS BE EXCLUDED
16 FROM SPIRE’S COST OF SERVICE AND NOT BE REFLECTED IN THE MULTI-
17 YEAR CLAIMS ADJUSTMENT PROPOSED BY SPIRE. (Meyer Rebuttal, pg. 3.)
18 WOULD EXCLUDING THESE COSTS BE APPROPRIATE?**

19 A. No. Spire believes it has the duty to prudently manage its business and mitigate the impact of
20 litigation demand costs that are part and parcel in running a business. Had Spire not defended
21 itself in this litigation, costs would likely have been substantially higher. Spire therefore
22 believes that these were prudently incurred costs that should be reflected in rates. Moreover,
23 as part of Spire’s update to its insurance premiums and updates to the three-year claims paid

1 average through May 31, 2021, some of the legal expenses associated with the McGaughy
2 matter were beyond the three-year period and therefore excluded by Spire in its update.
3 Accordingly, the previous amount of approximately \$300,000, or an average of roughly
4 \$100,000 per year, was replaced with a total net cost of just over \$60,000, or an average of
5 approximately \$20,000 per year.

6 **Q. HOW DID THIS LITIGATION MATTER IMPACT SPIRE'S INSURANCE**
7 **PREMIUM INCREASES?**

8 A. As noted in my Rebuttal Testimony, the McGaughy litigation did not have any meaningful
9 impact on our insurance premium increases, which were primarily driven by the current
10 difficulties in the insurance market and the challenging aspects of the utility industry in which
11 we operate.

12 **Q. WHAT IS THE NET DOLLAR AMOUNT OF THE TRUED-UP NUMBERS**
13 **PROVIDED BY SPIRE?**

14 A. The trued-up numbers for claims reflect a cost reduction of just over \$150,000 when
15 comparing the 3-year average net claims as of May 31, 2021 to the prior 3-year average as of
16 September 30, 2020. The true-up for insurance premiums resulted in just over an \$800,000
17 increase compared to the numbers utilized for the test period. While premium increases were
18 lower than anticipated, adjustments to the test year premiums meant they were based on 12-
19 months ended September 30, 2020, and so did not include 6 months of increase that occurred
20 in March 2020, and then again in March 2021. Essentially, the current annualized premiums
21 represent about a year and a half of increases relative to the premiums used for the test year,
22 plus one month of increases for those policies renewed in October 2020.

1 **Q. STAFF WITNESS JEREMY JULIETTE NOTED IN HIS REBUTTAL**
2 **TESTIMONY THAT STAFF IS EVALUATING COSTS ASSOCIATED WITH**
3 **THE McGAUGHY LITIGATION MATTER. (Juliette Rebuttal, pg. 13.) DO YOU**
4 **HAVE ANY ADDITIONAL CONTEXT TO ADD TO THESE COSTS?**

5 A. Yes, as I stated above, during the true-up, a portion of these costs were beyond the three-
6 year period and therefore excluded by Spire in its update. As a result, the total expense
7 for that litigation included in Spire's cost of service model are now significantly smaller.

8 **III. CONCLUSION**

9 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

10 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)
General Rate Increase for Natural Gas) File No. GR-2021-0108
Service Provided in the Company's)
Missouri Service Areas)

AFFIDAVIT

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

C. Eric Lobser, of lawful age, being first duly sworn, deposes and states:

1. My name is C. Eric Lobser. I am Vice President of Insurance Programs 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 surrebuttal testimony on behalf of Spire Missouri Inc.
3. Under penalty of perjury, I declare that the foregoing is true and correct to the best of my knowledge and belief.



C. Eric Lobser

7/14/21

Date