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 WNAR)	File No. GO-2019-0058
In the Matter of Spire Missouri, Inc. d/b/a Spire's Request to Increase Its WNAR)	File No. GO-2019-0059

REPORT AND ORDER

Issue Date: March 20, 2019

Effective Date: March 31, 2019

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Appearances

Michael C. Pendergast

Attorney for Spire Missouri, Inc.

Jeffrey A. Keevil

Attorney for the Staff of the Commission

Lera Shemwell

Attorney for Office of Public Counsel

Regulatory Law Judge: Paul T. Graham

REPORT AND ORDER

Procedural History

On August 31, 2018, Spire Missouri, Inc. ("Spire" or the "Company") filed with the Missouri Public Service Commission ("Commission") tariff sheets to adjust the Weather Normalization Adjustment Rider ("WNAR") in each of its two operating divisions, Spire Missouri East and Spire Missouri West. Each tariff sheet bore a proposed effective date of October 1, 2018. Tariff Tracking No. YG-2019-0039 would adjust Spire Missouri East's WNAR to \$(0.00032) and resulted in the opening of File No. GO-2019-0058. Tariff Tracking No. YG-2019-0049 would adjust Spire Missouri West's WNAR to \$0.00114 and resulted in the opening of File No. GO-2019-0059. Thereafter, Spire filed substitute tariffs

in both files. The two files, although not consolidated, will be considered together due to a commonality of material facts and law,¹ and wherever the singular term "tariff" is used, the term will refer to the tariffs proposed in both cases unless otherwise specified.

On September 14, 2018, the Staff of the Commission ("Staff") filed its Recommendations. In File No. GO-2019-0058, with respect to Spire East, Staff recommended that the Commission reject the proposed tariff sheets and order Spire to file P.S.C. MO. No. 7 Tariff Sheet No. 13.2 with a WNAR rate of \$(0.00050). Similarly, in File No. GO-2019-0059, with respect to Spire West, Staff recommended that the Commission reject the proposed tariff sheets and order Spire to file P.S.C. MO. No. 8 Tariff Sheet No. 13.2 with a WNAR rate of \$0.00084.2 On September 20, 2018, the Commission suspended Spire's tariff sheets until April 1, 2019. On October 19, 2018, the Commission entered its Order Adopting Procedural Schedule. In compliance with that procedural schedule, the parties pre-filed direct and rebuttal testimony. The Commission conducted a hearing on January 15, 2019. Thereafter, Spire, Staff, and the Office of the Public Counsel ("OPC") filed post-hearing briefs.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Commission, having considered all the competent and substantial evidence upon the whole record, makes the following findings of fact and conclusions of law. The positions and arguments of all the parties have been considered by the Commission in making this decision. Failure to specifically address a piece of evidence, position, or

¹ "When pending actions involve related questions of law or fact, the commission may order a joint hearing of any or all the matters at issue, and may make other orders concerning cases before it to avoid unnecessary costs or delay." 4 CSR 240-2.110 (3).

² Staff's proposed Spire East adjustment increases the customer's refund. Staff's Spire West adjustment decreases the additional charge to the customer.

argument of any party does not indicate that the Commission has failed to consider such evidence, position or argument, but indicates that the omitted material was not discussed because it is not dispositive in this decision.

Any finding of fact for which it appears that the Commission has made a determination between conflicting evidence is indicative that the Commission attributed greater weight to that evidence and found the source of that evidence more credible and more persuasive than that of the conflicting evidence. The Commission finds that any given witness's qualifications and overall credibility are not dispositive as to each and every portion of that witness's testimony. The Commission gives each item or portion of a witness's testimony individual weight based upon the detail, depth, knowledge, expertise, and credibility demonstrated with regard to that specific testimony.

Findings of Fact

- 1. Spire is an investor-owned gas utility providing retail gas service to large portions of Missouri through its two operating units or divisions: Spire Missouri East (formerly known as Laclede Gas Company or LAC) and Spire Missouri West (formerly known as Missouri Gas Energy or MGE).³
- 2. Spire is a "gas corporation" and a "public utility" as each of those phrases are defined in Section 386.020, RSMo 2016.
- 3. The OPC may represent and protect the interests of the public in any proceeding before the Commission.⁴ OPC participated in this matter.

³ File Nos. GR-2017-0215 and GR-2017-0216, Amended Report and Order, p. 11, Finding of Fact No. 1.

⁴ Section 386.710(2), RSMo 2016; Commission Rules 4 CSR 240-2.010(10) and (15) and 2.040(2).

- 4. Staff is a party in all Commission investigations, contested cases and other proceedings, unless it files a notice of its intention not to participate.⁵ Staff did participate in this matter.
- 5. Spire's most recent general rate cases were File No. GR-2017-0215 for Spire Missouri East and File No. GR-2017-0216 for Spire Missouri West.⁶ These may be referred to together as the "most recent rate cases" or the "2016 cases." As part of the most recent rate cases, the Commission authorized a WNAR pursuant to Section 386.266.3, RSMo (2016).⁷
- 6. In its Amended Report and Order issued in the 2016 cases, the Commission found that weather variations cause the greatest variations in revenue for the Company.⁸ A WNAR is a mechanism that adjusts outside of a rate case the current revenue, due to variations from normalized weather. Revenue for any given accumulation period is decided by gas usage in the period.⁹
- 7. Weather normalized energy sales were calculated in the most recent rate cases using Heating Degree Days ("HDD"), which were originally developed as a weather measure to determine the relationship between temperature and gas usage. ¹⁰ HDD are based on the difference of mean daily temperature ("MDT") ¹¹ from 65° F., when MDT is

⁵ Commission Rules 4 CSR 240-2.010(10) and (21) and 2.040(1).

⁶ File Nos. GO-2019-0058 and GO-2019-0059, Staff Recommendation, Memorandum, filed September 14, 2018.

⁷ File Nos. GR-2017-0215 and GR-2017-0216, Amended Report and Order, issued March 7, 2018, pp 83-86.

⁸ Id at p 80, para 12.

⁹ Exhibit 201, Won Rebuttal, pg. 3.

¹⁰ Exhibit 200, Won Direct, pg. 2. Exhibit 201, Won Rebuttal, pg 3-5.

¹¹ See Exhibit 200, Won Direct, pg. 2 Ftnt 1. By National Climatic Data Center convention, MDT is the average of daily maximum temperature and daily minimum temperature.

below 65° F.¹² MDT and HDD "...are the measures of weather used in adjusting test year natural gas sales."¹³

- 8. For purposes of normalizing the test year gas usage and revenues in the most recent rate cases, Staff used the actual daily maximum and daily minimum temperature series for the 30-year period of 1987 through 2016.¹⁴ Staff then used a ranked average method to calculate daily normal temperature values, ranging from the temperature that is "normally" the hottest to the temperature that is "normally" the coldest for each month.¹⁵ Staff calculated a set of normal daily HDD values ("NDD")¹⁶ reflecting actual daily and seasonal variability, which allowed Staff to develop adjustments to NDD for gas usage.¹⁷
- 9. Customer gas usage increases when actual heating degree days ("ADD")¹⁸ increase because of cold weather.¹⁹ The purpose of the WNAR tariff is to adjust revenues for differences between ADD and NDD.²⁰
- 10. Since annual natural gas usage is 95 percent correlated with annual HDD, the Commission determined in the most recent rate cases that using Staff's climatic normal and weather normalization in the form of the WNAR tariff would more accurately

¹² Exhibit 200, Won Direct, pg. 2. The HDD equals zero when MDT is above 65 degrees F.

¹³ Exhibit 200, Won Direct, pp. 2, Ins 13-15.

¹⁴ Exhibit 200, Won Direct, pg. 3. Staff obtained weather data from St. Louis Lambert International Airport ("STL") and the Kansas City International Airport ("MCI") for the Spire East or the Spire West service territories.

¹⁵ Exhibit 201, Won Rebuttal, pp. 6-7.

¹⁶ Although NHDD and NDD are separately used in the testimony, they both refer to normal heating degree days.

¹⁷ Exhibit 200, Won Direct, pp. 4-5.

¹⁸ Although ADD and AHDD are separately used in the evidence, both acronyms refer to actual heating degree days.

¹⁹ Exhibit 201, Won Rebuttal, pg 3.

²⁰ Staff Recommendation, Appendix A.

resolve a revenue stabilization issue because it was specifically linked to weather fluctuations.²¹

- 11. On April 4, 2018, the Commission issued an order in the most recent rate cases approving Spire's compliance tariffs. This approval included the WNAR tariff with the formula described in this Report and Order.²² The WNAR tariff states that NDD is "based upon Staff's daily normal weather as determined in the most recent rate case."²³
- 12. In the cases now before the Commission, Spire submitted tariff sheets to decrease its WNAR rate to (\$0.00032) for Spire East and increase its WNAR rate to \$0.00114 for Spire West. Both tariff sheets cover the accumulation period of April through July 2018.²⁴
- 13. The following formula ("tariff formula"), together with the definitions, as set out in Appendix 1 and fully incorporated in this Report and Order, are a part of Spire's WNAR tariff approved by the Commission in Spire's most recent rate cases:²⁵

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

14. Spire has 18 billing cycles in a given calendar month. For example, the May 2018 billing month includes billing cycle 1 that started on April 1, 2018, and billing cycle 18, which started on April 26, 2018. ²⁶ In the WNAR formula, "i" refers to the applicable

²¹ File Nos. GR-2017-0215 and GR-2017-0216, Amended Report and Order, pg 84.

²² File Nos. GR-2017-0215 and GR-2017-0216, *Order Approving Tariff in Compliance with Commission Order*, issued April 4, 2018 and Appendix 1. File Nos. GR-2017-0215 and GR-2017-0216, Amended Report and Order, pp 84-85, and p 85 ftnt 298.

²³ Exhibit 205, pg. 1, and Exhibit 206, pg. 1.

²⁴ Exhibit 201, Won Rebuttal, pg. 2.

²⁵ Exhibit 205, pg. 1 and Exhibit pg. 1206.

²⁶ Exhibit 204, Kliethermes Rebuttal, pp 2-4.

billing cycle month and "j" refers to the billing cycle. The "ij" expression in the tariff formula refers to the 18 billing cycles that apply to a billing month.²⁷

- 15. When calculating the WNAR rate to be used in the adjustment tariff sheets, Spire interpreted the tariff language as requiring the Company to use the specific NDD determined by Staff in the most recent rate cases to calculate its WNAR adjustment. Specifically, Spire concluded that the phrase, "as determined in the most recent rate case" meant that the 30-year NDD outputs determined in the 2016 rate case, including the days of the month on which those occurred, were to be used for making the calculations.²⁸
- 16. In comparison, Staff disputes that the tariff language requires the Company use the same outputs from the ranking used in the 2016 rate case when calculating the NDD. Staff interprets the tariff language as specifying that the normal weather is to be ranked consistent with the proper rankings of the associated actual weather of the accumulation period.²⁹
- 17. Staff also explained that this ranking process is how it calculated daily normal weather in the last rate case.³⁰
- 18. Under Staff's ranking method, the NDD per day, as determined in the most recent rate cases, are apportioned to the days of each month by aligning the highest level of NDD to occur in that month with the day that had the highest level of AHDD occurring in the month.³¹ This is done by matching the highest level of historic 30-year NDDs to occur in a month to match the coldest day that actually occurred in the current year's

²⁷ See Exhibit 204, Kliethermes, Rebuttal Testimony, pp. 2-6.

²⁸ Exhibit 100 Weitzel Direct, pgs. 5-6. This was based on the 30-year adjusted average of NOOA data.

²⁹ Exhibit 202 Stahlman Direct, pg. 2.

³⁰ Exhibit 201, Won Rebuttal, pp. 6-7.

³¹ Staff's Recommendation, Appendix A, pg. 2.

month. While this method still maintains the same total number of NDDs determined in the 2016 rate case, these NDDs now occur on different days of the month than what was determined in the most recent rate case.³²

- 19. The Beta coefficient, or β in the tariff formula, is a regression model coefficient that is specific to the tariff. ³³ It is a mathematical expression of the relationship between weather and a customer's gas usage. ³⁴ The Beta coefficients are different for Spire East and Spire West, ³⁵ and were developed in the weather normalization procedure in the most recent rate cases. ³⁶ The Beta coefficients were developed using a series of billing cycle dates, not on an annual basis. ³⁷ Since the basis for the coefficient β used in the WNAR tariff was the 30-year normal period established in the most recent rate cases, changing the period would change the relationship between the calculated normal weather and natural gas usage. ³⁸
- 20. Applying Spire's method will cause the Beta coefficient to no longer be relevant to the calculations.³⁹
- 21. The start and end dates of the billing cycles for Spire's billing month of May 2018 do not line up with the start and end dates of the billing cycles that were the basis for the determinants and revenues agreed to in the most recent rate cases. If an improper

³² Exhibit 100 Weitzel Direct., pgs. 3-4.

³³ Tr. 111.

³⁴ See Won's testimony, Tr. 113 et seq.

³⁵ Tr. 112.

³⁶ Tr. 113.

³⁷ Tr. 124; Tr. 154, Michael Stahlman testified:

[&]quot;A. The coefficient wasn't developed on an annual basis. So I don't know I can answer that question.

Q. So you don't know.

A. It's a question that doesn't make sense because the beta is developed using a series of billing cycle dates and so it's very specific to the billing cycle dates where there isn't billing cycle dates on an annual method."

³⁸ Exhibit Stahlman Direct, pp2-3.

³⁹ Tr. 114.

NDD is used to adjust the WNAR, the relationship between gas usage and HDD loses its validity.⁴⁰

- 22. Applying Spire's proposed method would require mixing and matching billing cycle start dates from calendar year 2018 with the HDD ranking for that date in 2016. This creates a needless mismatch of HDD and greater variations between actual and normal gas usage. This could result in a customer who uses more gas on a day during the adjustment period than what is reflected in the rates set in the most recent rate cases having to pay an additional amount through the WNAR.⁴¹
- 23. Staff's method maintains a consistent comparison between the coldest normal day to occur in that month with the coldest day that actually occurs in the month, while still maintaining the same total number of NDD that were determined in the most recent rate cases.⁴²
- 24. Staff's ranking method reduces the daily variations between actual and normal gas usage when it aligns billing cycles within the billing month with those in the rate case. Reducing the daily variation between actual and normal gas usage captured in the WNAR under Staff's ranking method reduces the financial impact to customers.⁴³

Conclusions of Law

Spire is a "gas corporation" and "public utility" as those terms are defined by Section 386.020, RSMo 2016.⁴⁰ Spire is subject to the Commission's jurisdiction, supervision, control, and regulation as provided in Chapters 386 and 393, RSMo (2016). The Commission has the authority under Section 386.266, RSMo (Supp. 2018), to consider

⁴⁰ Exhibit 201 Won Rebuttal, pg. 3.

⁴¹ Exhibit 204, Kliethermes Rebuttal, p4-5.

⁴² Staff's Recommendation, Appendix A, pg. 2.

⁴³ Exhibit 204 Kliethermes Rebuttal pgs. 5-6.

and approve weather normalization adjustment rider tariffs. Section 386.266.3, RSMo (Supp. 2018), states that any gas corporation may apply to the Commission for approval of rate schedules authorizing periodic rate adjustments outside of general rate proceedings to reflect the non-gas revenue effects of increases or decreases in residential customer usage due to variations in weather. Pursuant to Section 386.266.4, RSMo (Supp. 2018), the Commission has the power to approve, modify, or reject such an adjustment mechanism.

A tariff has the same force and effect as a statute, and it becomes state law.⁴⁴ The Commission has the authority to interpret a tariff and apply its terms.⁴⁵ The determination of witness credibility is left to the Commission, "which is free to believe none, part or all the testimony."⁴⁶

DECISION

Spire and Staff disagree on how daily normal weather should be calculated when adjusting the Company's WNAR. Spire asserts that under the Commission-approved WNAR tariff, "based upon Staff's daily normal weather as determined in the most recent rate case" means that the NDD as set in the most recent rate cases are to be used in each WNAR adjustment without reapplication of the ranking methodology. Staff disagrees with Spire and asserts that the ranking methodology used to establish the NDD in the most recent rate cases should be applied to the current accumulation period's actual daily temperature. For the reasons described below, the Commission agrees with Staff.

⁴⁴ State ex rel. Missouri Pipeline Co. v. Missouri Public Service Com'n, 307 S.W.3d 162 (Mo. App. W.D. 2009).

 ⁴⁵ State ex rel. Mo. Pipeline Co. v. Pub. Service Com'n, 307 S.W.3d 162, 177 (Mo. App. W.D. 2009). See State ex rel Union Elec. Co. v. Public Service Com'n of State, 399 S.W.3d 467 (Mo. App. W.D. 2013).
⁴⁶ In Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service, 509 S.W.3d 757, 764 (Mo. App. W.D. 2016), quoting internal quotations from State ex rel Pub Counsel v. Mo. Pub. Serv. Com'n, 289 S.W.3d 240, 246-247 (Mo. App. W.D. 2009).

Spire asserts that the 2016 NDD should be matched by calendar date with the ADD collected in the 2018 accumulation period. Thus, for example, Spire's method would match the actual heating degree day for April 19, 2018, with the normal heating degree day for the thirty April 19s (their mean average, 1987 to 2016) marshalled from data for the 2016 rate case.⁴⁷

Staff contends, on the other hand, that the 2016 NDD should first be ranked by temperature, coldest to warmest, without regard to their original calendar dates. Then it would be matched to the 2018 ADD, which have been likewise temperature ranked without regard to their specific calendar dates. Staff contends that this method of weather ranking and subsequent weather matching should be followed, cycle by cycle, for each of the 18 billing cycles that apply to a particular billing month.⁴⁸

Spire's principal arguments are based upon the dictionary definitions for "determined"⁴⁹ and upon the fact that on an annualized basis, the difference between the overall impact of the two methods upon rates appears to be de minimis.⁵⁰ However, the tariffs have the same force and effect as a statute and are state law ⁵¹; and Spire's argument and its method require the Commission to ignore the tariffs' specific Beta coefficients because the coefficients apply to billing cycle applications and not to annual applications.⁵²

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⁴⁷ Exhibit 300, Mantle, Direct Testimony, p. 3 et seq.; See Kliethermes, Exhibit 204, Rebuttal Testimony, pp. 4 et seq.: "On April 19, 2018, Spire East experienced 19.5 HDD. Under Staff's interpretation of the ranking method, for April 19, 2018, Staff compared this to the 'normal' HDD for the 12th coldest day in April of 10.5 HDD. Under Spire's interpretation, those 19.5 HDD for April 19, 2018, the 12th coldest day in April, 2018, would be compared to 0 HDD, based on the warmest-coldest rank of April 19, 2016."

⁴⁸ See Exhibit 204, Kliethermes, Rebuttal Testimony, p. 2-6.

⁴⁹Exhibit 101, Weitzel, Rebuttal Testimony, 4 et seg.

Tr. 19-20; 67; 70; 96; 115; 123; 125; 138; 139; Post-Hearing Brief of Spire Missouri, Inc., p. 9 et seq.
State ex rel. Missouri Pipeline Co. v. Missouri Public Service Com'n, 307 S.W.3d 162 (Mo. App. W.D. 2009).

⁵² Tr. 154.

The Commission cannot abandon parts of a tariff formula because of one of several dictionary definitions or because the overall financial difference between the methods might seem small. It is the Commission's decision that Spire's method is not in accord with the tariffs' definition of NDDij because Spire's method requires the Commission to ignore part of the tariffs' formulas. In comparison, Staff's interpretation of the method on how to compare its ranked normal weather to the ranked accumulation period actual weather to calculate the Company's WNAR is adopted by the Commission.

The Commission finds that Spire's submitted tariff sheets adjusting its WNAR rate are not consistent with its Commission-approved WNAR tariff. The Commission finds that the tariff sheets to adjust Spire's WNAR rate should be rejected and that Spire should file tariff sheets based on Staff's ranked method for determining daily normal weather.

The Commission will reject the WNAR tariff sheets filed by Spire in Tariff Tracking No. YG-2019-0039 and order Spire to file P.S.C. MO. No. 7, Tariff Sheet No. 13.2 with a WNAR rate of \$(0.00050) for Spire Missouri East. The Commission will reject the WNAR tariff sheets filed by Spire in Tariff Tracking No. YG-2019-0040 and order Spire to file P.S.C. MO. No. 8, Tariff Sheet No. 13.2 with a WNAR rate of \$0.00084 for Spire Missouri West.

Since the tariff sheets were originally filed to go into effect on October 1, 2018, the Commission finds good cause to allow this order to go into effect in less than thirty days.

THE COMMISSION ORDERS THAT:

The Commission rejects the WNAR tariff sheets (Tariff Tracking No. YG-2019-0039) filed by Spire in File No. GO-2019-0058 for Spire East.

- 2. The Commission rejects the WNAR tariff sheets (Tariff Tracking No. YG-2019-0040) filed by Spire in File No. GO-2019-0059 for Spire West.
- 3. The Commission orders Spire to file tariff sheets consistent with this order for Spire Missouri East.
- 4. The Commission orders Spire to file tariff sheets consistent with this order for Spire Missouri West.
 - 5. This Report and Order shall become effective on March 31, 2019.



BY THE COMMISSION

Morris Woodruff Secretary

Silvey, Chm., Kenney, Hall, Rupp, and Coleman, CC., concur.

Graham, Regulatory Law Judge

APPENDIX 1

CALCULATION OF ADJUSTMENT

The WNA Factor will be calculated for each billing cycle and billing month as follows:

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

Where:

i = the applicable billing cycle month

WNAi = Weather Normalization Adjustment

j = the billing cycle

NDDij = the total normal heating degree days based upon Staff's daily normal weather as determined in the most recent rate case

ADDij = the total actual heating degree days, base 65 degrees at Kansas City International Airport Weather Station (Spire West)

Cij = the total number of customer charges charged in billing cycle j and billing month i

- β = the coefficient of 0.1291586 for Spire West [different for East]
- 1. Monthly WNAi = WNAi x Weighted Residential Volumetric Rate ("WRVR")i
- 2. The WRVR applicable to each month shall be derived using the billing determinants and residential volumetric rates from the Company's then most-recent rate case. For the winter billing months (November through April), the WRVR shall be equal to the Residential Winter Charge for Gas Used established at the conclusion of each general rate case. For Case No. GR-2017-2015 the amount is \$0.15637. [Different for East] The WRVR for each of the summer billing months (May through October) shall be determined at the conclusion of each general rate case as the percentage of total residential customers whose usage ends in the first rate block multiplied by the volumetric rate of that block plus the percentage of total residential customers whose usage ends in the second rate block multiplied by the volumetric rate of that block. Currently affective summer WRVR's are reflected in the table below [Different for East]:

May	June	July	August	September	October
\$0.14280	\$0.14139	\$0.14104	\$0.14099	\$0.14107	\$0.14121