

Exhibit No. 135

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Witness: *Keith Majors*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Surrebuttal Testimony*
Case No.: *GR-2021-0108*
Date Testimony Prepared: *July 14, 2021*

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KEITH MAJORS

**SPIRE MISSOURI INC., d/b/a SPIRE
SPIRE EAST and SPIRE WEST
GENERAL RATE CASE**

CASE NO. GR-2021-0108

*Jefferson City, Missouri
July 2021*

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- 1 • Office of the Public Counsel (“OPC”)
- 2 ○ John S. Riley – Gross Receipts Tax (“GRT”)
- 3 ○ Robert E. Schallenberg – Corporate Allocations and Affiliate
- 4 Transactions

5 **TRANSITION COSTS – MGE ACQUISITION**

6 Q. Item VI of Ms. Antrainer’s rebuttal testimony addresses the amortization of
7 transition costs incurred in conjunction with the acquisition of MGE. Does Staff intend to
8 true up this amount through May 2021?

9 A. Yes. Staff recommends using the ending balance as of May 2021 for both
10 inclusion in rate base and as a basis for amortization of the remaining amount over a period of
11 three years. In consideration of this, there is no disagreement between Staff and Spire
12 Missouri as to the amortization period and cutoff.

13 **RATE CASE EXPENSE**

14 Q. What is Spire Missouri’s recommendation regarding rate case expense?

15 A. Spire Missouri included an estimate of rate case expense totaling \$1,470,925,
16 amortized over three years at \$490,308 in its direct filed revenue requirement. No sharing of
17 rate case expenses or alternative treatment of customer notice or depreciation study expenses
18 were identified. In his rebuttal testimony, Mr. Weitzel identifies \$850,000 of rate case
19 expense, consisting of 50% of actual costs through May 2021, \$137,505 of additional legal
20 costs, and actual costs of the depreciation study and customer notices. This is consistent with
21 the sharing mechanism ordered by the Commission in the 2017 Spire rate cases.

22 Q. What is Staff’s recommendation regarding rate case expense?

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1 A. Staff recommends full recovery of the last known depreciation study over
2 3 years, full recovery of the customer notices for this case over 3 years, and 50/50% sharing
3 of remaining incremental rate case expense using a two-case average.

4 Q. On page 8 of his rebuttal testimony, Mr. Weitzel notes that rate case expense is
5 on Staff's list of recommended true-up items. Does Staff intend to true-up rate case expense?

6 A. In part. Staff recommends using a two-case average of rate case expense
7 allocated 50/50% between ratepayers and shareholders using the expenses incurred in the two
8 most recent rate cases. Staff can and does examine expenses as part of its true-up audit even
9 though those particular expenses may not be listed as a true-up item. Staff recommends
10 including the most current depreciation study and customer notice expenses in the cost of
11 service. The recommended amounts for those items are the known and measurable costs as of
12 the true-up cutoff at May 31, 2021.

13 Q. Mr. Weitzel discusses Spire Missouri's request to true-up all rate case expense
14 through at least May 2021. Do you disagree with this approach?

15 A. Not necessarily. Staff has true-up rate case expenses in both rate cases in
16 which rate case expense has been litigated.¹ In those cases Staff included rate case expense
17 through about two weeks after the filing of reply briefs to capture the legal expenses related to
18 those filings. Should this rate case proceed to hearing and briefing, I believe Spire Missouri
19 would request recovery of rate case expense through the filing of reply briefs as the bulk of
20 rate case expenses are end-loaded.

21 Q. What are the problems with this approach?

¹ KCPL ER-2014-0370, Spire Missouri GR-2017-0215 and GR-2017-0216.

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1 A. In the last prior Ameren Missouri rate case,² the signatory parties to the *Jointly*
2 *Proposed Procedural Schedule and Procedures* agreed that “rate case expense associated with
3 Case No. ER-2019-0335 will be examined through the scheduled date for filing of reply briefs
4 and adjustments may be proposed accordingly.” Non-signatory parties argued against this
5 approach for two reasons:

- 6 • The rate case expense information would be received and processed
7 weeks after the evidentiary hearings after the record would be closed,
8 and the parties would have limited time to review the information; and
- 9 • This procedure elevates rate case expense above all other items of
10 expense and revenues allowing cost recovery of expenses incurred
11 well beyond the true-up cutoff.

12 In its *Order Setting Test Year and Adopting Procedural Schedule*, the Commission
13 ordered that Ameren Missouri could propose to true-up rate case expense if the rate case
14 expenses were significant enough to warrant an isolated adjustment. Consequently, Staff
15 modified its approach to rate case expense normalization in that case by including an average
16 of prior rate case expenses and allocating that amount 50/50% between shareholders and
17 ratepayers. This approach addresses the concerns identified by certain parties regarding rate
18 case expense in the last Ameren Missouri electric rate case by including a normalized level of
19 rate case expense known and measurable as of the true-up date.

20 Q. On page 9 of his testimony, Mr. Weitzel separately identifies the expenses for
21 the depreciation study and the customer notices. What is Staff’s recommendation concerning
22 those items?

² ER-2018-0335.

1 A. Spire Missouri is required by Commission rule to provide a depreciation study
2 every five years.³ Spire is also required to submit a depreciation study upon submission of a
3 general rate case unless a study has been provided in the three years prior to filing the rate
4 case. Spire Missouri's historical rate filings would suggest that a shorter normalization period
5 would be appropriate. Therefore, Staff has included the full costs of the last known
6 depreciation study, normalized over three years.

7 Staff recommends full recovery of the current rate case customer notices expense of
8 \$586,532 as the Commission ordered Spire Missouri to provide notices of the hearings to each
9 of its customers in the *Order Setting Local Public Hearings*, over three years. This is
10 consistent with the Commission's order in the last prior rate case.

11 **GROSS RECEIPTS TAX**

12 Q. What are the two GRT issues addressed by OPC witness Riley?

13 A. The first issue is the GRT calculated on the \$15 million court-ordered
14 Infrastructure System Replacement Surcharge ("ISRS") refund. Mr. Riley contends that the
15 refund should have been included "above the line" with all current charges, thereby reducing
16 the base on which GRT is calculated. The second issue is the calculation of GRT itself on
17 prior and current customer bills.

18 Q. As to the first issue, do you believe the ISRS bill credit was improperly not
19 included in the GRT calculations?

20 A. No. The ISRS settlement was silent with respect to the treatment of gross
21 receipts tax. As further justification, Staff examined other examples of bill credits to
22 determine if credits are consistently not included in the GRT calculation. I examined five

³ 20 CSR 4240-40.090.

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1 customer bills,⁴ three of which include net metering⁵ credits, one includes the bill credit for
2 the Tax Cuts & Jobs Act (“TCJA”), and the last includes a credit for the Kansas City Power &
3 Light Company (“KCPL”) and Westar, Inc. merger⁶. I have attached the Merger Credit and
4 TCJA bills as Schedule KM-s1.

5 The net metering bills consistently ignored over-generation credits, even when those
6 credits decreased the bill to a negative (credit) amount. GRT was still calculated on the
7 customer charge even though there was no net energy charge:

Net Metering Bills	Over-generation Credit	Customer Charge	GRT	Total Bill	Calculated GRT on Total Bill
Bill 1	-2.88	12.62	0.81	13.43	0.81
Bill 2	-13.04	11.47	0.73	12.20	0.73
Bill 3	-8.88	11.47	0.73	12.20	0.73

9
10 The merger and TCJA credits were similarly not included in the GRT calculation:

	Credit amount	Utility Charges, without credits	GRT	Total Bill	Calculated GRT on Total Bill
Merger Credit Bill ⁷	-21.59	62.50	3.99	66.49	3.99
TCJA Credit Bill ⁸	-52.41	59.05	3.11	62.16	3.11

11
12

⁴ All customer specific information has been removed.

⁵ Net metering provides customers with credits for self-generated electricity against their metered usage from the utility.

⁶ The actual merger was between the parent companies of the utilities. The legacy utilities are separate operating units.

⁷ These credits were ordered as a result of the Stipulation and Agreement approved by the Commission in Case No. EM-2018-0012 for KCPL and KCPL Greater Missouri Operations (“GMO”) customers.

⁸ These credits were ordered as a result of the Stipulation and Agreement approved by the Commission in Case No. ER-2018-0146 for KCPL GMO customers.

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1 The ISRS settlement bill credit, over-generation credits, the merger bill credit, and the TCJA
2 credit, were all treated consistently, essentially the equivalent of “writing a check” to each
3 customer with no consideration in the calculation of GRT.

4 Q. Do you believe these examples are evidence that the GRT has been calculated
5 correctly?

6 A. Yes. It is difficult to believe that three different utilities are calculating GRT
7 incorrectly when credits are applied. Spire’s treatment of GRT in the context of the recent
8 ISRS refund is consistent with the examples shown above. In future Spire refund situations,
9 parties can argue for a different handling of GRT if desired.

10 Q. For the second issue, OPC claims that GRT has been calculated improperly on
11 prior and current customer bills. Do you agree?

12 A. No. For most jurisdictions, the GRT is a component of the base on which tax
13 is calculated. The definition in Section 144.010 of the Missouri statutes defines
14 “gross receipts” and “sale price.” I am not an attorney, but my interpretation of the plain
15 language is that the base upon which GRT is calculated includes the GRT amount itself.
16 The statute identifies the base as “the total amount of the sale price above mentioned shall be
17 deemed to be the amount received.” The amount received would be the total due for the
18 whole bill. To calculate a 6% GRT on a \$100 utility bill, the calculation would be to divide
19 \$100 by 100%-6%, or .94. The result would be \$106.38. The resulting GRT would be \$6.38,
20 which equals 6%, the GRT rate, times \$106.38. The \$0.38 is essentially a tax on a tax.

21 Q. On page 7, Mr. Riley claims that Spire Missouri retains some benefit to
22 collecting the GRT and calculating it using the method you described. Do you agree?

1 A. No. The GRT is a pass-through amount. I am not aware of any benefit
2 retained by Spire Missouri in collection and remittance of the GRT.

3 **AFFILIATE TRANSACTIONS/CORPORATE ALLOCATIONS**

4 Q. On page 12⁹ of Mr. Schallenberg’s testimony, he states that Staff
5 mischaracterizes affiliate transactions as corporate or cost allocations, and “Spire and Staff are
6 effectively seeking to reduce or remove these affiliate transactions from scrutiny under the
7 Commission’s rules.” How do you respond?

8 A. I completely disagree. Due to the corporate structure of Spire, Inc., all
9 transactions under the term “corporate allocations” are “affiliate transactions,” and must
10 comply with the Commission’s affiliate transaction rules.

11 Q. What is the purpose of 20 CSR 4240-40.015, the Commission’s Gas Utilities’
12 Affiliate Transactions Rule (“ATR”)?

13 A. The first sentence of the cited section of the rule states: “PURPOSE: This rule
14 is intended to prevent regulated utilities from subsidizing their non-regulated operations.”

15 Q. On page 13 of Mr. Schallenberg’s testimony, he contends that Spire Missouri
16 provides financially advantageous and preferential treatment to Spire Inc. in violation of the
17 ATR. Do you agree?

18 A. No. Mr. Schallenberg contends that because Spire Inc. retains very little cost
19 as compared to its subsidiaries it is being provided a financial advantage. As I discussed in
20 my rebuttal testimony, Staff is not aware of the current existence of any functions or cost
21 drivers that would support substantial allocations of cost to Spire Inc.

⁹ Mr. Schallenberg’s testimony has no page numbers. Page references are to the actual page of the filed document.

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1 Q. On page 13 of Mr. Schallenberg's testimony, he also states the following:

2 The fact that Spire Missouri and Spire Inc. ha[ve] developed
3 and implemented a "shared services model" that reallocates
4 Spire Inc. costs to the utility subsidiaries is contrary to both the
5 letter and the intent of the affiliate transaction rule and is the
6 type of transaction that the Commission should have a vested
7 interest in prohibiting.

8 How do you respond?

9 A. It is difficult to comprehend why Mr. Schallenberg would have this
10 Commission believe that similar corporate structures formed by the three largest
11 utilities operating in Missouri - Evergy, Inc., Ameren Missouri, and Spire Missouri -- would
12 be something the Commission should prohibit. All three of these utilities are components
13 of multi-jurisdiction entities which allocate costs between and among their various
14 affiliates. Ameren Missouri has operated in some similar fashion for around two decades,
15 employing a separate service company that houses the majority of back office employees.
16 Using Mr. Schallenberg's reasoning, these utilities have been victims of affiliate abuse for the
17 last 20 years.

18 Q. Is Staff opposed to participation in service company structures by Missouri
19 regulated utilities?

20 A. No. Use of service companies to obtain necessary corporate support services
21 for multiple entities under a holding company structure is a common practice for utilities,
22 as it is believed to be an economical approach for provision of these services. In the case of
23 Spire Missouri, Spire Services acts as a clearinghouse for provision of goods and services
24 to and from Spire Inc. affiliates rather than a centralized service company in the case of
25 Ameren Missouri.

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1 Q. Please provide an example of the potential economic benefit to utilities from
2 use of service companies.

3 A. Assume a holding company contains a number of regulated and unregulated
4 affiliates. If a service company were to provide centralized human resources services to a
5 group of affiliates, and then direct charge or allocate the costs of that service to all of the
6 affiliates including regulated utilities, then it is highly likely that this would be less costly to
7 each affiliate than if the affiliates had to provide the human resources services for themselves
8 in-house, or possibly attempt to receive these services from an unaffiliated third party.

9 The specific services included in the definition of “corporate support” in the ATRs are
10 joint corporate oversight, governance, support systems and personnel involving payroll,
11 shareholder services, financial reporting, human resources, employee records, pension
12 management, legal services, and research and development activities. There are apparent
13 economies of scale benefits when such services are offered on a centralized basis to affiliated
14 entities. Most or all of the above listed services are currently provided to Spire Inc. affiliates
15 using the Spire Services clearinghouse.

16 Q. Do utility holding company service companies typically charge a profit margin
17 for the services provided to affiliates?

18 A. No. In fact, the Federal Energy Regulatory Commission (“FERC”) currently
19 prohibits centralized service companies under its jurisdiction from charging a profit for
20 corporate support services to affiliated entities. Although the current corporate structure does
21 not include a service company, Spire Missouri does not charge a profit on the services
22 provided to affiliates nor does it pay a mark-up on services received. Elimination of profit
23 from service company affiliated transactions tends to make receipt of goods or services from a

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1 service company more economical to utilities than obtaining the same good or service from an
2 unaffiliated profit-seeking entity, all other things being equal.

3 Q. Given the economies of scale present in the holding company structure, and the
4 lack of a profit margin in provision of corporate support services, would you expect provision
5 of corporate support services from service companies to be significantly more cost-efficient in
6 most cases than regulated utilities providing the services to itself on a stand-alone basis or
7 obtaining the services from an unaffiliated third party?

8 A. Yes.

9 Q. If Spire Inc. did not exist and Spire Missouri were a stand-alone utility, how
10 would that scenario affect the expenses included in rates?

11 A. They would increase. The core services Spire Missouri provides to other
12 affiliates and in part receives from other affiliates would largely be paid for entirely by
13 Missouri ratepayers. For example, if the amounts of shared services payroll were not
14 allocated to other Spire Inc. entities, it is reasonable to assume that Spire Missouri would
15 still incur a large portion of the payroll costs it now assigns to its affiliates. Although there
16 would be some redundant employees, Spire Missouri would for the most part still need the
17 services that are provided by the employees that are currently being paid for in part by other
18 Spire Inc. entities.

19 Q. On the page 16 of Mr. Schallenberg's testimony, he contends that expenses of
20 non-employee directors of Spire Inc. should not be allocated to Spire Missouri. How do you
21 respond?

22 A. To my knowledge, every major shareholder-owned utility has non-employee
23 directors, even Raytown Water Company with around 6,000 customers. If Spire Missouri

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1 | were the holding company with no other affiliates, it would undoubtedly have a board of
2 | directors with non-employee directors to represent the interests of shareholders. Prior to its
3 | acquisition, The Empire District Electric Company was a standalone utility with no holding
4 | company structure. Its former board of directors were comprised in part of non-employee
5 | directors.

6 | Q. Does that conclude your surrebuttal testimony?

7 | A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Spire Missouri Inc.'s d/b/a)
Spire Request for Authority to Implement a) Case No. GR-2021-0108
General Rate Increase for Natural Gas)
Service Provided in the Company's)
Missouri Service Areas)

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Keith Majors*; and that the same is true and correct according to his best knowledge and belief.


Further the Affiant sayeth not.



KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 13th day of July 2021.



Notary Public



M. RIDENHOUR
My Commission Expires
July 22, 2023
Platte County
Commission #19603483



For billing and service information : 816-471-5275 (816-471-KCPL)
 or toll-free : 1-888-471-5275 (1-888-471-KCPL)
 For emergencies or lights out : 1-888-544-4852 (1-888-LIGHT-KC)

Customer Name
 Account Number



Page 1 of 2
 Billing Date: 08/29/2018

MESSAGE BOARD

KCP&L's Budget Billing option allows you to make consistent monthly bill payments. For more information, visit www.kcpl.com/budgetbilling.

To join KCP&L Budget Billing, pay \$62.00 before 09/19/2018.

You live in KCP&L – MO service area. Rates and available programs can vary based on your service area. For more information visit www.kcpl.com/ServiceArea.

If you were an active KCP&L electric utility customer as of Aug. 15, you received a **KCP&L/Westar Merger Bill Credit(s)** on this bill. The credit reflects a portion of savings resulting from our recent merger with Westar Energy. See kcpl.com/merger for details.

Account Summary

For service from 07/30/2018 to 08/28/2018

Previously Billed.....	\$60.45
Utility.....	\$60.45
Payment Received 08/10/2018 - Thank you.....	-\$60.45
Current Charges (details on back)	\$44.90
Utility	\$66.49
Miscellaneous.....	-\$21.59
Due Upon Receipt.....	\$44.90
Late charge if received after September 19, 2018	\$0.96
Amount due with late charge.....	\$45.86

*paid
9/5/18*

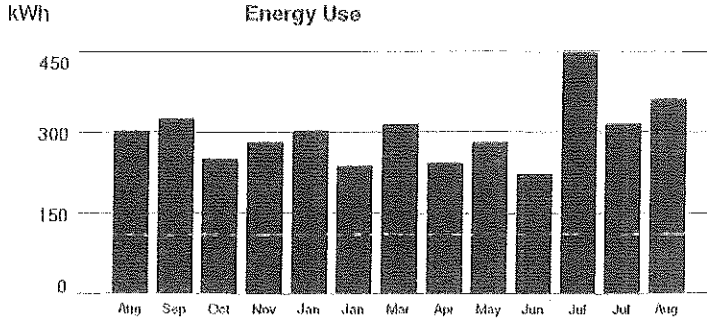
Please return this portion with your payment. Thank you.

Customer Name
Account Number

KANSAS CITY MO

KCP&L MO Res General - 1RS1A

Billing Details - service from 07/30/2018 to 08/28/2018



Customer Chg	\$12.62
Energy Chg 360.9114 kWh at \$0.12893 per kWh	\$46.53
DSIM Chg 07-31-2018-07-31-2018 for 12.4452 kWh at \$0.00665 per kWh	\$0.08
DSIM Chg 08-01-2018-08-28-2018 for 348.4662 kWh at \$0.00424 per kWh	\$1.48
FAC Chg 07-31-2018-08-28-2018 for 360.9114 kWh at \$0.00495 per kWh	\$1.79
Subtotal	\$62.50
Kansas City Franchise Fee	\$3.99
Current Charges	\$66.49

Comparative Usage Information

Period	kWh	Days	kWh / day	Avg Temp
Current	361	29	12.4	79°
Previous	314	29	10.8	81°
Last Year	302	29	10.4	75°

Meter	Start Read Date	End Read Date	Days	End Read (-)	Start Read (=)	Read Difference (x)	Meter Multiplier (=)	kWh Used
1224714617587	07/31	08/29	29	12,103.5030	11,742.5916	360,9114	1.0000	360,9114

Adjustments

Date	Description	Cancel Reason	Amount
08/29/2018	KCP&L/Westar Merger Bill Credit		-\$21.59
Total			-\$21.59



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 or toll-free : 1-888-471-5275 (1-888-471-KCPL)
 For emergencies or lights out : 1-888-544-4852 (1-888-LIGHT-KC)

Customer Name :
 Account Number :

Page 1 of 2
 Billing Date: 02/08/2019

MESSAGE BOARD

KCP&L's Budget Billing option allows you to make consistent monthly bill payments. For more information, visit www.kcpl.com/budgetbilling.

To join KCP&L's Budget Billing, pay \$37.59 before 03/01/2019. This includes your monthly Budget Billing amount of \$90.00 less your account credit balance of \$52.41.

You live in KCP&L Greater Missouri Operations – GMO service area. Rates and available programs can vary based on your service area. For more information visit www.kcpl.com/ServiceArea.

Effective Feb. 1, the factor for the Demand Side Investment Mechanism (DSIM) charge on your bill will change. For more information about this charge, visit kcpl.com/programs.

If you were an active electric utility customer in our Greater Missouri Operations territory as of Dec. 31, 2018, you received a Tax Cut & Jobs Act Credit. See kcpl.com/rateinfo for details.

Account Summary

For service from 01/08/2019 to 02/07/2019

Previously Billed.....	\$48.73
Utility.....	\$48.73
Payment Received 01/15/2019 - Thank you.....	-\$48.73
Current Charges (details on back)	\$10.34
Utility	\$62.75
Miscellaneous.....	-\$52.41

Due Upon Receipt..... \$10.34

Please pay by March 01, 2019..... \$10.34
 Pay \$10.39 after March 01, 2019

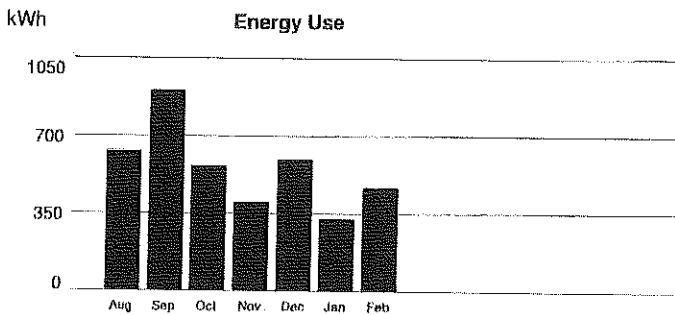


Customer Name :
 Account Number :

BLUE SPRINGS MO

GMO Residential General - MORG

Billing Details - service from 01/08/2019 to 02/07/2019



Customer Chg	\$11.47
Energy Chg 464.9700 kWh at \$0.09888 per kWh	\$45.98
DSIM Chg 01-09-2019-02-07-2019 for 464.9700 kWh at \$0.00019 per kWh	\$0.09
FAC Chg 01-09-2019-02-07-2019 for 464.9700 kWh at \$0.0024 per kWh	\$1.12
RESRAM Chg 01-09-2019-02-07-2019 for 464.9700 kWh at \$0.00083 per kWh	\$0.39
Subtotal	\$59.05
Blue Springs Franchise Fee	\$3.11
Blue Springs City Sales Tax @ 1%	\$0.59
Current Charges	\$62.75

Comparative Usage Information

Period	kWh	Days	kWh / day	Avg Temp
Current	465	30	15.5	28°
Previous	323	30	10.8	38°

Meter	Start Read Date	End Read Date	Days	End Read (-)	Start Read (=)	Read Difference (x)	Meter Multiplier (=)	kWh Used
1224718317543	01/09	02/08	30	19,796.7786	19,331.8086	464.9700	1.0000	464.9700

Adjustments

Date	Description	Cancel Reason	Amount
01/30/2019	Tax Cut & Jobs Act Credit		-\$52.41
Total			-\$52.41