

Exhibit No. 145

Exhibit No.:
Issues: True-up Revenue Requirement
Witness: Karen Lyons
Sponsoring Party: MoPSC Staff
Type of Exhibit: True-Up Direct Testimony
Case Nos.: GR-2021-0108
Date Testimony Prepared: August 6, 2021

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

TRUE-UP DIRECT TESTIMONY
OF
KAREN LYONS

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

CASE NO GR-2021-0108

Jefferson City, Missouri
August 2021

1 **TRUE-UP DIRECT TESTIMONY**

2 **OF**

3 **KAREN LYONS**

4 **SPIRE MISSOURI, INC., d/b/a SPIRE**

5 **SPIRE EAST and SPIRE WEST**
6 **GENERAL RATE CASE**

7 **CASE NO. GR-2021-0108**

8 Q. Please state your name, employment position, and business address.

9 A. Karen Lyons, Utility Regulatory Supervisor with the Missouri Public
10 Service Commission (“Commission” or “PSC”), Fletcher Daniels State Office Building,
11 615 East 13th Street, Kansas City, Missouri 64106.

12 Q. Are you the same Karen Lyons who has previously provided testimony in
13 this case?

14 A. Yes. I filed direct testimony, rebuttal testimony, surrebuttal testimony and
15 contributed to Staff’s Costs of Service Report (COS Report).

16 Q. Please summarize your true-up direct testimony.

17 A. This true-up direct testimony presents an overview of Staff’s true-up audit and
18 revenue requirement for Spire East and Spire West. Staff’s true-up Accounting Schedules
19 support its recommendations for the amounts of the rate revenue increases the Commission
20 should approve for Spire East and Spire West. Staff’s recommended revenue requirement for
21 Spire East and Spire West is based on the companies’ actual historical information through the
22 period ending May 31, 2021. In developing the true-up revenue requirement, Staff considered
23 all the relevant and material components of the revenue requirement calculation. Broadly, these

1 components are: (1) capital structure and return on investment, (2) rate base investment and
2 (3) income statement results, including revenues, depreciation expense and income taxes.

3 Q. How did Staff conduct its true-up audit?

4 A. Staff updated Spire East's and Spire West's cost of service through
5 May 31, 2021, using the same methods and approach it used in its initial filing in this
6 proceeding.

7 Q. Are the areas addressed in Staff's true-up audit consistent with its
8 recommendation in its COS Report filed on May 12, 2021?

9 A. Yes. Staff provided a list of proposed true up cost of service items beginning on
10 page 3 of its COS Report. Staff's recommended true-up revenue requirements for Spire East
11 and Spire West includes updates to the items in Staff's proposed true-up items.

12 Q. Did Staff include costs in Spire East's and Spire West's true-up revenue
13 requirements that were not included in its proposed list of true-up items in its COS Report?

14 A. Yes. Staff updated credit card expense through May 31, 2021, as a result of a
15 discernable upward trend of these costs.

16 Q. Did Staff include costs in Spire East's and Spire West's cost of service that were
17 not included at the time Staff filed its Direct Testimony on May 12, 2021?

18 A. Yes. Staff reflected an adjustment associated with savings from third party call
19 center cost reductions.

20 Q. What capital structure is Staff using as of May 31, 2021?

21 A. Staff recommends an overall ROR of 6.91% for Spire Missouri, as of
22 May 31, 2021. Staff's ROR recommendation for Spire Missouri incorporates a capital

1 structure consisting of 45.72 percent long-term debt and 54.28 percent common equity, with a
2 3.99% cost of long-term debt, and an authorized ROE of 9.37%.

3 Q. Will there potentially be additional changes to Staff's true-up revenue
4 requirement?

5 A. Yes. On July 30, 2021, the parties to this case filed a Partial Stipulation and
6 Agreement that will increase revenue requirement for Spire East and West combined by
7 \$587,904. Staff did not include this amount in its true-up revenue requirements because the
8 agreement has not been approved by the Commission. If the Commission approves the
9 agreement, the amount of the increase will be reflected in the final revenue requirement
10 determined in this case.

11 Q. Based on changes discussed above, and excluding the potential impact of the
12 Partial Stipulation and Agreement, what is Staff's recommended true-up revenue requirement
13 for Spire East?

14 A. Staff is recommending a revenue requirement increase for Spire East in the range
15 of \$26.6 million to \$32.4 million, based on the low, mid and high end of Staff's recommended
16 return on equity of 9.12%, 9.37% and 9.62%. Staff's recommended range for return on equity
17 for Spire East and Spire West has not changed from Staff's previous filings in this case.

18 Q. Based on the changes discussed above, and excluding the potential impact of the
19 Partial Stipulation and Agreement, what is Staff's recommended true-up revenue requirement
20 for Spire West?

21 A. Staff is recommending a revenue requirement increase for Spire West in
22 the range of \$53.9 million to \$58.5 million, based on the low, mid and high end of
23 Staff's recommended return on equity of 9.12%, 9.37% and 9.62%.

1 Q. Since filing its direct case, what are the significant drivers for the increase in
2 Staff's recommended revenue requirement for Spire East and Spire West?

3 A. The cost of service items that largely contributed to the increase in
4 Staff's recommended true-up revenue requirement for Spire East and Spire West include
5 plant additions, payroll, and pensions.

6 Q. Did Staff have any concerns with the level of costs Spire incurred through
7 May 31, 2021?

8 A. Yes. Staff met with Spire personnel on June 29, 2021, to discuss the significant
9 plant additions through May 31, 2021, for Spire East and Spire West. During this meeting Staff
10 learned that Spire had a Company initiative to close as many workorders as possible through
11 May 31, 2021. Based on this meeting, it is Staff's understanding that construction crews were
12 transferred from projects that would not be finished by May 31, 2021, to other projects that
13 could be completed by May 31, 2021. Staff is concerned about the impact to the customers for
14 the projects that were suspended and additional costs that Spire incurred as a result of this
15 Company initiative. Staff has requested additional discovery regarding this issue and will
16 address it further in its true-up rebuttal testimony.

17 Q. Does this conclude your true-up direct testimony?

18 A. Yes, it does.

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 KAREN LYONS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW KAREN LYONS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *True-Up Direct Testimony*; and that the same is true and correct according to her best knowledge and belief.

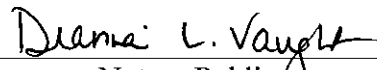
Further the Affiant sayeth not.


KAREN LYONS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 6th day of August 2021.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377


Notary Public