

# Exhibit No. 15

**Exhibit No:**  
**Issues:** Cost Allocation Mechanics;  
Pension Assets  
**Witness:** Timothy W. Krick  
**Type of Exhibit:** Direct Testimony  
**Sponsoring Party:** Spire Missouri Inc.  
**Case No.:** GR-2021-0108  
**Date Prepared:** December 11, 2020

**SPIRE MISSOURI INC.**

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

**DIRECT TESTIMONY**

**OF**

**TIMOTHY W. KRICK**

**DECEMBER 11, 2020**

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

A. My name is Timothy W. Krick and my business address is 700 Market St., St. Louis, Missouri 63101.

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

A. I am employed by Spire Missouri Inc. (“Spire”) as Vice President, Controller.

**Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.**

A. I was promoted by Spire into my present position in January 2017. In this position, I am responsible for accounting, financial reporting, tax and external financial reporting.

**Q. WILL YOU BRIEFLY DESCRIBE YOUR EXPERIENCE AT SPIRE PRIOR TO BECOMING CONTROLLER?**

A. In 2014 I was hired as Director of Accounting. In that capacity, I was responsible for Missouri utility accounting and corporate financial reporting.

**Q. WHAT WAS YOUR PROFESSIONAL EXPERIENCE PRIOR TO JOINING SPIRE?**

A. I started my career in 1996 in the accounting department of the Dana Corporation, an automobile parts manufacturer. After serving as an internal auditor, I was promoted to Plant Controller for one of the company’s largest plants, in Pottstown, PA. In 2000, I relocated to St. Louis and joined Sigma-Aldrich Corporation to help develop its newly formed internal audit department. Shortly after joining the company, I was given a special assignment to overhaul the inventory management and cost accounting of a troubled division. Subsequently, I was promoted to Global Cost Accounting Manager and worked in that capacity until 2006. In that role, I was responsible for developing and implementing the company’s cost accounting strategy, policy, and underlying methods to allocate costs in the manufacturing process. In 2007, I was promoted to Director of Finance, Global Supply Chain and Cost Accounting. While managing the company’s cost accounting function, I also served on a cross-functional strategy team that developed and executed an improved approach to

1 global supply chain management. In 2009, I earned the Certified Management Accountant  
2 (“CMA”) certification. In 2012, I was promoted to Director of Finance North America, and  
3 Global Cost Accounting. In this role, I had regional controller responsibility for a dozen  
4 reporting locations and corporate financial reporting. I also worked closely with the shared  
5 services team on implementation of roles into the newly formed structure. At the same time,  
6 I continued to maintain responsibility for Global Cost Accounting, which included the  
7 strategy, communication, and successful execution of the company’s cost accounting  
8 approach globally. I served as the company expert for cost allocations with internal  
9 management and external auditors for the large majority of my career with Sigma-Aldrich.

10 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

11 A. I graduated from the University of Missouri-Columbia with a degree in Accounting in 1996.  
12 I earned my Certified Public Accountant (“CPA”) certification in 1997.

13 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?**

14 A. Yes, I filed testimony in Case Numbers GR-2017-0215, GR-2017-0216, GO-2019-0356, and  
15 GO-2019-0357.

16 **PURPOSE OF TESTIMONY**

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose of my testimony is to present evidence to the Commission concerning the  
19 following items for Spire:

- 20 1. Cost Allocations; and
- 21 2. Pension and Post Employment Benefits (“OPEB”).

22 **Q. Please list the schedules you are sponsoring.**

23 A. I am sponsoring Schedules TWK-1, TWK-2, TWK-3, and TWK-4 attached to this testimony.  
24  
25  
26  
27

1 **COST ALLOCATION MECHANICS**

2 **Q. PLEASE DESCRIBE HOW SPIRE COMPLIES WITH APPLICABLE COST**  
3 **ALLOCATION REGULATIONS.**

4 A. Spire utilizes a Cost Allocation Manual (“CAM”) to support Spire’s compliance with the  
5 Commission’s Affiliate Transactions Rules (“Rules”) as established in 20 CSR 4240-40.015  
6 and 4240-40.016, which are intended to prevent regulated utilities from subsidizing their non-  
7 regulated operations and provide the public assurances their rates are not adversely impacted  
8 by Spire’s non-regulated activities. The Rules state that the CAM should include the criteria,  
9 guidelines and procedures Spire will follow to be in compliance with the Rules, including cost  
10 allocation, market valuation and internal cost methods related to its transactions with affiliates  
11 (except with regard to HVAC services as defined in 20 CSR 4240-40.017). Such methods  
12 and requirements are designed to ensure no financial advantage or preferential treatment  
13 occurs between Spire and its un-regulated affiliates, especially as it relates to its customers’  
14 information. The CAM was approved by the Commission in 2013.

15  
16 **Q. PLEASE DESCRIBE DEVELOPMENTS IN THE CAM SINCE SPIRE’S LAST RATE**  
17 **CASE.**

18 A. In the Commission’s 2018 Report and Order regarding Spire’s last rate cases (GR-2017-0215  
19 and GR-2017-0216), the Commission found that Spire’s existing 2013 CAM should be  
20 rewritten, with the help of the Commission Staff (“Staff”), the Office of the Public Counsel,  
21 (“OPC”) and interested stakeholders through a working group. Amended Order, pp. 59-60.  
22 The Commission declined to order Spire to adopt any specific changes to the CAM, but the  
23 parties recognized that the CAM must be revised in light of Spire’s recent acquisitions.  
24 Consistent with the Commission’s Order, and pursuant to the working docket established  
25 under Case No. AW-2018-0394, Spire has been coordinating with the working group,  
26 comprised of Spire, Staff, and OPC, to draft an updated CAM. Despite many meetings with  
27 the working group, a universal agreement regarding changes to the CAM has not yet been

1 reached. Discussions regarding the updated CAM are still ongoing and the Company is  
2 hopeful to submit an updated CAM to the Commission that reflects some of the progress  
3 resulting from the efforts of the working group during the pendency of this filing.

4 **Q. PLEASE DESCRIBE SPIRE’S OVERALL PHILOSOPHY FOR RECORDING AND**  
5 **ALLOCATING COSTS.**

6 A. Consistent with its Commission-approved CAM, Spire’s objective is to directly assign costs  
7 to the utility operating companies and affiliates to the extent it is possible and practical to do  
8 so. For costs that are not direct charged to a specific entity, Spire utilizes cost causation factors  
9 that most closely align with the business driver of the costs and the benefiting entities. In the  
10 absence of direct charge or cost causation, Spire commonly uses a general allocator widely  
11 used by utilities known as the Modified Massachusetts Formula (“MMF”), which allocates  
12 costs based on an average of fixed assets, revenue, and payroll.

13 **Q. PLEASE EXPLAIN THE BACKGROUND OF THE SPIRE SERVICES ENTITY.**

14 A. Spire Services Company (“the SSC” or “Spire Services”) was created in July of 2015 as the  
15 result of the company’s growth and the need for a formal platform to efficiently execute the  
16 allocation of shared services costs to affiliates. The initial purpose of the entity was to adopt  
17 a shared services model for three primary reasons: to facilitate, simplify, and provide  
18 transparency to the allocation of shared costs between operating companies and affiliates. This  
19 was the first step of an ongoing, longer-term initiative to evaluate, design, and implement a  
20 mature shared service model. The SSC has no net income, and all costs charged and allocated  
21 to the SSC are re-allocated to other affiliates. In short, the SSC is primarily used as an  
22 accounting vehicle to ensure costs are properly tracked and allocated to each entity in an  
23 appropriate manner.

24 **Q. ARE ANY SPIRE EMPLOYEES FORMALLY EMPLOYED BY THE SSC?**

25 A. No, not at this time. All employees are employed directly by the operating companies or  
26 other affiliates, and only charge time and expenses to the SSC for shared costs and  
27 activities. There is a project underway to evaluate changing the legal entity (employer) of

1 several hundred employees that normally provide services to more than one subsidiary, or  
2 those that fall into traditional corporate service functions, to Spire Services. This  
3 employment change is planned for execution on January 1, 2022.  
4

5 **Q. ARE THERE OTHER BUSINESS ACTIVITIES PERFORMED UNDER THE SSC?**

6 A. Yes, over time the SSC has been used to consolidate contracts under one entity and  
7 consolidate certain benefit plans. Spire Services is the legal entity through which we enter  
8 into service contracts with vendors. This structure allows vendors to provide services to  
9 numerous Spire entities under one master agreement in lieu of multiple separate  
10 agreements between the vendor and each Spire entity. The charges for the services are then  
11 direct charged to the entity receiving the service, or allocated in accordance with applicable  
12 rules if the service is being provided for the benefit of multiple entities. We use the same  
13 master agreement structure for the purchase of equipment and supplies, thereby allowing  
14 for much more cost-effective and efficient purchasing practices. By administering  
15 relationships and contracting at the Spire Services entity level, we are able to coordinate  
16 the acquisition of services, equipment and supplies for the economic benefit of customers  
17 and shareholders. For example, Spire's health and welfare plans, as well as our 401(k)  
18 plan, are sponsored and administered by Spire Services. This approach has enabled the  
19 enterprise to merge many of its plans, which has created administrative synergies,  
20 alignment of benefits for employees, and cost savings. By consolidating the oversight and  
21 administration of the plans in one entity (Spire Services), we have been able to streamline  
22 processes and enhance the quality and cost efficiency of our plans.

23 **Q. PLEASE DESCRIBE ANY OTHER NOTABLE DEVELOPMENTS IN THE SSC**  
24 **SINCE SPIRE'S LAST RATE CASE.**

25 A. When the Company embarked on improving its website and developing a new and enhanced  
26 IT platform (internally referred to as "Spire One"), a project team was developed that led and  
27 coordinated all aspects of the project from early development to implementation, including



1 overseeing the resources (internal and external), costs, scope, schedule, etc. Beginning in the  
2 middle of fiscal year 2017, IT assets that benefited more than one business or entity have  
3 been tracked and developed in the SSC. An allocation method was assigned for each project  
4 based on cost causation; for example, the website projects were allocated based on customers;  
5 Spire One initiatives were based on 3-factor, customers, and miles of main; and Operations  
6 Service Foundation based on miles of main.

7 Additionally, the allocations process is now managed in a new system, Oracle Profitability  
8 and Cost Management Cloud Service (“PCMCS”), that was implemented as part of the Spire  
9 One Project at the beginning of fiscal year 2020. The system used previously was a  
10 PowerPlant based allocations module. PCMCS was implemented to improve allocations  
11 visibility, traceability, and reporting and to automate certain manual processes that existed  
12 using the PowerPlant module.

13 **Q. WHAT FUNCTIONS CHARGE COSTS TO THE SSC?**

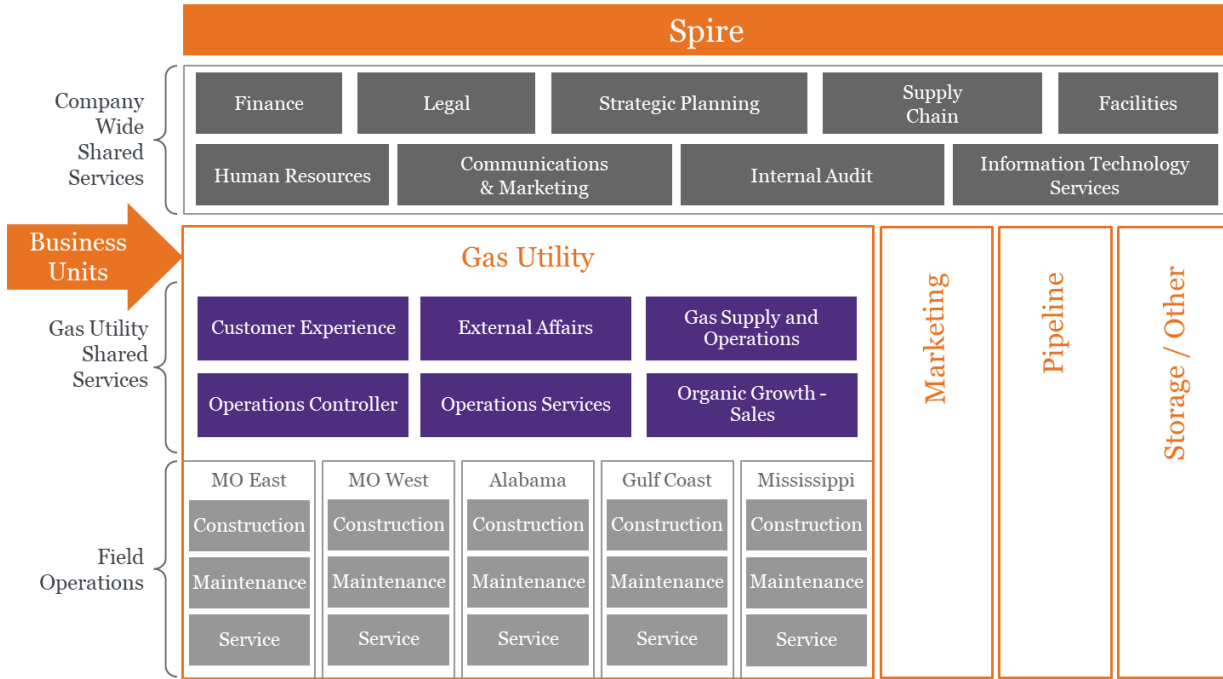
14 A. Functions that utilize the SSC generally fall into two categories: Company Wide shared  
15 services and Gas Utility shared services. Company-wide shared services include: Executive  
16 and Governance, Human Resources, Finance, Information Technology Services, Facilities &  
17 Corporate Security, Legal & Insurance, PMO, Continuous Improvement, Strategic Planning,  
18 Corporate Communications & Marketing, Supply Chain, Internal Audit & Enterprise Risk,  
19 and Regulatory & External Affairs. Gas Utility shared services include: Construction  
20 Engineering & GIS, System Control & Gas Supply, Customer Experience, Measurement,  
21 Compliance & Pipeline Integrity, Business Development, Health & Safety, Fleet  
22 Management, Operational Support & Other Services. A description of each shared service  
23 function is provided in Schedule TWK-1.

24 **Q. ARE ALL OF THE COSTS FOR THESE FUNCTIONS CHARGED THROUGH THE**  
25 **SSC?**

26 A. No, most functions utilize some combination of direct charge and allocation through causal  
27 and general factors. The company-wide shared services departments tend to use more causal

and general factors instead of direct charge as they support multiple affiliates. The Gas Utility shared functions typically use a higher percentage of direct charge since their support tends to be more discrete. The chart below, Figure 1, is a pictorial of the shared service landscape.

**Figure 1: Spire Shared Services Overview**



**Q. CAN YOU EXPLAIN HOW THE COSTS FLOW THROUGH THE SSC AND ARE ALLOCATED BETWEEN AFFILIATES?**

A. Projects (or work orders) are utilized in Oracle to systematically collect costs. Currently, there are approximately 200 projects established that are associated with a pre-defined allocation method. Employees use projects to charge their time/payroll, travel expenses, and procurement of certain goods and services. When a shared service project is charged, costs are collected in the SSC from the affiliates throughout the month. As part of the financial close each month, a company-wide process within PCMCS is generated that calculates the allocation of those costs to each affiliate, based on the pre-defined allocation percentage defined at the project level. The percentage is derived based on the causal factor used and the companies that benefit from the costs incurred. Projects generally fall into an aggregated subset of cost pools, such as those that impact all entities, utilities only, or region (MO vs.

1 Southeast), and then further broken down into pools by causal factors. A journal entry is  
2 recorded (from the allocations subledger PCMCS) that allocates all the costs in the SSC back  
3 out to the affiliates each month, and the associated net inter-company accounts receivable or  
4 payable with SSC is settled in the subsequent month.

5 **Q. HOW ARE OPERATING COMPANIES REIMBURSED FOR THE COST OF**  
6 **SHARED SERVICES PROVIDED TO OTHER OPERATING COMPANIES AND**  
7 **AFFILIATES?**

8 A. During the financial closing of each month the accounting teams reconcile the amounts due  
9 from and payable to the SSC. In total, the SSC will have inter-company accounts receivables  
10 and accounts payables with affiliates that, in total, fully offset each other. Balances are fully  
11 settled with cash payments in each subsequent month. The shared services entity holds no  
12 cash at the end of each month, as 100% of the amount received by affiliates is fully distributed  
13 to others through the inter-company settlement process.

14 **Q. HOW IS THE DETERMINATION MADE REGARDING WHETHER THE COSTS**  
15 **OF A PARTICULAR DEPARTMENT OR FUNCTION SHOULD BE DEFINED AS**  
16 **DIRECT OR ALLOCATED?**

17 A. Each year during the budgeting process we evaluate actual results for the current year and  
18 plans for the next year with department heads. During this review it is determined if any  
19 department functions or activities have significantly changed and whether the allocation  
20 factors and approach are appropriate for the following year. Based on this review, a summary  
21 of projects typically used for each department is updated annually and communicated to  
22 employees in each department. The employees are provided this guide and are instructed on  
23 what projects to use to charge their time, expenses, and for the procurement of goods and  
24 services. The project used defines the allocation method, including direct charges.

25 **Q. HOW ARE COSTS MONITORED TO ENSURE INDIVIDUALS ARE CHARGING**  
26 **THE CORRECT PROJECTS SO THAT EXPENSES ARE NOT BEING**  
27 **ERRONEOUSLY ALLOCATED?**

1 A. Spire provides instruction to employees on how to code time and expenses so that time is  
2 charged to the proper allocator or operating unit. Supervisors and/or approvers of time and  
3 expenditures are responsible for verifying that charges are accurate.

4 In addition, payroll and other expenses are budgeted at the project level, and, as part of the  
5 budget, we run through the allocations process that is similar to the actual process, which sets  
6 the primary basis for comparison and variance analysis throughout the year. Each month a  
7 process is performed to review expenses incurred to date versus budget, forecast, and prior  
8 year for all shared service functions with department heads in coordination with the Financial  
9 Planning & Analysis and Operations Analytics (“FP&A”) teams. During this review,  
10 variances and trends are analyzed and discussed as well as projects and activities planned for  
11 the remaining months of the year and the impact on expenses. Each month department heads,  
12 in coordination with the FP&A, re-forecast expenses and spend for the remaining months of  
13 the year, and the cycle repeats in subsequent months. The variances and changes to forecasts  
14 are presented and discussed in monthly business review meetings for each operating unit that  
15 include participants from finance and operations management, including the Business Unit  
16 Presidents, CFO, and COO. Additionally, reporting that includes explanations for relevant  
17 variances are distributed to executive management and the Board of Directors monthly.

18 **Q. CAN YOU EXPAND ON YOUR EXPLANATION OF HOW EMPLOYEES CHARGE**  
19 **TIME AND PAYROLL?**

20 A. Employees that typically charge the SSC projects utilize ADP to submit their hours and time  
21 coding on a bi-weekly basis for each payroll cycle. In ADP there are default projects assigned  
22 for each combination of cost center (department) and home office (a field that indicates legal  
23 entity employed by). The default project was initially determined during the implementation  
24 of the most recent version of ADP and will be verified annually during the budgeting process  
25 and updated when necessary. The majority of employees in shared service departments charge  
26 their time to the default project, but there are instances where employees must change the  
27 coding to ensure their time is allocated appropriately, such as when working on a capital

1 project or on an activity that is not normally part of their role. There are also instances where  
2 a sub-group within a cost center regularly changes their default based on the work they  
3 perform since only one default can be assigned per cost center combination.

4 **Q. HOW ARE CAUSAL AND GENERAL ALLOCATION FACTORS CALCULATED,**  
5 **AND HOW OFTEN ARE THEY UPDATED?**

6 A. The factors used for allocations are set at the beginning of the year based on either budget or  
7 prior year actual and monitored periodically throughout the year. If business circumstances  
8 have resulted in a significant change to allocation factors during the fiscal year, management  
9 will review and determine if a change is needed based on materiality. Since the majority of  
10 allocations are based on the activity of the prior year, the factors essentially get-trued up on a  
11 one-year lag. A summary of the shared service factors that impact Spire Missouri is included  
12 as Schedule TWK-2.

13 **Q. CAN YOU PROVIDE AN EXAMPLE OF WHEN FACTORS WERE UPDATED**  
14 **DURING THE FISCAL YEAR?**

15 A. Yes, the most recent example is during fiscal year 2020 due to the roll-out and mid-year go  
16 live of the new Oracle Platform (Spire One) to the Southeast Utilities. Since those companies  
17 went live on May 1, 2020 and started to receive support for the applications, this was  
18 determined to be material enough to change. The allocation was updated later in the year after  
19 May, and was updated both retroactively to May and prospectively in this instance. Another  
20 example was the acquisition of EnergySouth and integration into the SSC in fiscal year 2016.

21 **Q. WHAT ACTIONS HAS SPIRE TAKEN TO ENSURE THAT THE SSC IS**  
22 **OPERATING AS DESIGNED AND THAT COSTS ARE BEING APPROPRIATELY**  
23 **ALLOCATED?**

24 A. The annual budgeting process and monthly review at the department level is the best evidence  
25 that it is operating as designed, as explained above. In fiscal year 2020, in preparation for the  
26 fiscal year 2021 budget, the Gas Utility Business Unit Presidents also met with the head of

1 each shared service function to review trends in costs and expenses from recent years, and  
2 ongoing and upcoming projects.

3 **Q. DOES SPIRE PROVIDE PERIODIC REPORTING OF SHARED SERVICE**  
4 **ALLOCATIONS?**

5 A. Yes, the Company provides an annual report in the format required by the approved CAM,  
6 but acknowledges that the report is not reflective of the current environment and could be  
7 improved. The Company supports an overhaul of the reporting of cost allocations and shared  
8 service costs and are in ongoing discussions with both Staff and OPC regarding the format  
9 and frequency of a new report.

10 **Q. ARE THERE OTHER ALLOCATION PROCESSES FOR SPIRE MISSOURI**  
11 **SEPARATE FROM THE SSC?**

12 A. Yes, the majority of this testimony explains the process for the allocation of shared service  
13 costs between affiliates through the SSC. There are additional steps within Spire Missouri  
14 and other utilities that allocate costs within the entities, primarily between O&M and Capital,  
15 and also between the operating units of Spire East and Spire West.

16 **Q. ARE THE ALLOCATION METHODS USED FOR SPIRE MISSOURI DIFFERENT**  
17 **THAN THE APPROACH FOR THE SSC?**

18 A. Yes and no. Yes, in that there are similar types of allocation methods used, such as miles of  
19 main or headcount to allocate costs between the operating units or to clearing accounts. No,  
20 in that the majority of allocations that occur within Spire Missouri are associated with the  
21 capitalization of overheads and are primarily driven by direct labor or use of resources such  
22 as vehicles. The process and systems used to capitalize overheads has changed in recent years,  
23 but the underlying and fundamental approach is consistent with the practice used for decades.

1 **PENSION AND POST EMPLOYMENT BENEFITS (OPEB)**

2 **Q. WHAT WILL YOUR TESTIMONY ADDRESS REGARDING PENSION AND OPEB?**

3 A. While witness Felsenthal provides an in-depth discussion of both Pension and OPEB's, my  
4 testimony will highlight some of the areas discussed in his testimony and provide additional  
5 information from the Company perspective.

6 **Q. PLEASE BRIEFLY DESCRIBE SPIRE'S CURRENT METHOD FOR**  
7 **CALCULATING PENSION EXPENSE.**

8 A. Spire's current method is based on the expected level of contributions, plus an allowance to  
9 amortize existing prepaid assets and liabilities.

10 **Q. DOES SPIRE RECOMMEND ANY CHANGES IN THE METHOD USED FOR**  
11 **CALCULATING PENSION AND OPEB EXPENSE IN THIS CASE?**

12 A. No, the Company proposes to continue to use the same method it has been using since 2002.

13 **Q. WHAT HAVE BEEN THE FUNDING REQUIREMENTS SUBSEQUENT TO THE**  
14 **LAST RATE CASE?**

15 A. Overall funding for pension plans is in line with amounts assumed in the last rate case. OPEB  
16 funding was significantly lower than projected. A schedule of contributions that compare to  
17 funding provided in rates is provided in Schedule TWK-3.

18 **Q. WHAT IS YOUR RECOMMENDATION FOR FUNDING?**

19 A. I recommend funding annually at a level that is projected to achieve 100% pension benefit  
20 obligation (PBO), or market-based funding levels, in five years for the pension plans. The  
21 total funding requirement for both Pension and OPEB plans to achieve this level is \$48.4  
22 million, a \$5.3 million increase over the funding levels approved in the last case that were  
23 intended to only achieve 80% minimum funding levels as measured under The Employee  
24 Retirement Income Security Act ("ERISA").

25 **Q. WHAT IS YOUR RECOMMENDATION FOR THE AMORTIZATION OF PENSION**  
26 **AND OPEB REGULATORY ASSETS AND LIABILITIES?**

1 **A.** I recommend continuing with an eight-year amortization period, but resetting the annual  
 2 amortization based on current balances. The combined balance of pension and OPEB's is a  
 3 net asset of \$74.4 million, or annual amortization of \$9.3 million, which is a \$9.0 million  
 4 reduction of the current level of \$18.3 million.

5 **Q. WHAT IS THE IMPACT ON RECOVERY COMBINING BOTH PROJECTED**  
 6 **FUNDING AND AMORTIZATION OF PENSION AND OPEB?**

7 **A.** Based on recommendations and funding discussed above, it would result in an overall \$3.7  
 8 million reduction in recovery. A more detailed schedule that separates each component  
 9 between Pension and OPEB is provided in Schedule TWK-4.

10

<i>(millions)</i>	<b>Requested Recovery</b>		
	East	West	Total
Annual Funding	41.5	6.9	48.4
Prepaid Amortization	11.6	(2.3)	9.3
Total	53.1	4.6	57.7
	<b>Current Recovery</b>		
	East	West	Total
Annual Funding	37.6	5.5	43.1
Prepaid Amortization	21.6	(3.3)	18.3
Total	59.2	2.2	61.4
Change in Total Recovery	<b>(6.1)</b>	<b>2.4</b>	<b>(3.7)</b>

11

12 **Q. CAN YOU FURTHER EXPLAIN WHY YOU ARE SEEKING A HIGHER LEVEL OF**  
 13 **FUNDING FOR PENSION PLANS THAN WAS APPROVED IN RECENT CASES?**

14 **A.** Yes, there are several compelling reasons that benefit all parties to consider increased funding  
 15 in this case:



1 1. As legislation has changed the IRS liability basis, the plans' minimum funding levels are  
2 determined using artificially high interest rates, leading to an IRS funded status over 80% but  
3 on a PBO, or market funded status, closer to only 60%.

4 2. Minimize long term costs to customers by taking advantage of the benefits of the time  
5 value of money while balancing against excessive short-term cost increases, such as  
6 Pension Benefit Guaranty Corporation ("PBGC") premiums.

7 3. Improve intergenerational equity by better aligning pension costs to customers receiving  
8 services.

9 4. Protect the plan and customers from structural cost increases resulting from Congress'  
10 (sometimes arbitrary) actions.

11 5. Provides more cost predictability and stability.

12 **Q. PLEASE BRIEFLY EXPLAIN PBGC PREMIUMS AND TRENDS IN THE RATE.**

13 A. All plans pay both a Flat Rate (per participant) and a Variable Rate (percentage applied to  
14 unfunded obligations on a market basis) premium. The Variable Rate premium, which is  
15 essentially a "tax" on pension funding deficits, cannot be larger than the number of  
16 participants times the Cap amount (\$582 for 2021). In 2021 the variable rate is 4.6%, this  
17 is 3.7% higher than the rate was in 2012, or over a 400% increase in the last 10 years.  
18 When the last rate case was filed in 2016 the rate was 3.0%, current rate is 1.6% higher or  
19 an increase of over 50%. Recent trends imply this rate will only continue to increase, as it  
20 has done each year since 2013, not decrease or even remain flat. Total premiums projected  
21 for FY 2021 are \$2.4 million and are paid directly from the trust reducing funds that are  
22 available for investments in the trust and payment of retiree benefits. By increasing  
23 funding levels, we can decrease the Variable Rate premium and further reduce overall costs  
24 to ratepayers.

25 **Q. HAVE YOU EVALUATED ANY OTHER STRATEGIES FOR FUNDING AND**  
26 **MANAGEMENT OF THE PENSION AND OPEB PLANS?**

1 A. Yes, we meet with our actuaries and investment advisers on a periodic basis to evaluate  
2 opportunities for improving the performance of the investment assets, more efficiently  
3 managing the plans, and reducing overall costs. Recommendations from advisers always  
4 include a higher level of funding, which could be achieved with a one-time contribution of  
5 over \$200 million, but a more realistic and practical way is to achieve this over several years.  
6 The current funding recommendation is based on projections, including discount rates that  
7 have continued to decline in recent years, if that trend were to reverse it would narrow the  
8 funding level gap, but it would take an extreme shift in interest and bond rates to result in a  
9 sizeable change. Regardless of the future change in the inputs that can't be accurately  
10 predicted, the pension plans are underfunded and require a higher level of cash contribution  
11 to close the gap. The Company desires to take a step in that direction that will ultimately  
12 lower the long-term cost of the plans.

13 **Q. WHY ARE YOU SEEKING 100% FUNDING FOR THESE PLANS?**

14 A. Currently, there are over 3,800 people participating in Spire Missouri's pension plans. These  
15 plans pay benefits, including lifetime annuities, to former employees and their surviving  
16 spouses. Retired Missourians are benefitting from this income stream, which was a part of  
17 the bargain made for their (often decades-long) service to the Company and its customers.

18 **Q. ARE ANY OF THOSE PLAN PARTICIPANTS UNION EMPLOYEES?**

19 A. Yes, a large majority of pension plan participants are either current or former union field  
20 employees. We've seen the devastating impacts of underfunded pension plans on union  
21 retirees in other states and industries. The funding proposals for pension and OPEB expense  
22 in this case are both economical and intended to strengthen these critical programs for our  
23 employees, retirees, their families and communities. Given the state of capital markets, this  
24 is an opportune time to honor those commitments.

25 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

26 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 )  
 ) SS.  
CITY OF ST. LOUIS )

Timothy W. Krick, of lawful age, being first duly sworn, deposes and states:

1. My name is Timothy W. Krick. I am the Vice President, Controller 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 direct 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.

Timothy W. Krick  
Timothy W. Krick

December 11, 2020  
Dated

# Shared Services by Function

# Executive & Governance

The executive team is responsible for the management of the corporation's overall business and ensuring compliance with corporate governance requirements.

- Activities/Areas
  - Executive
  - Corporate Secretary
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Certain costs (e.g. M&A activities) are retained at the holding company level
  - Company wide costs are allocated using the general allocator
  - Stock compensation is reviewed annually at the employee level and weightings are based on companies employees serve



# Audit and Enterprise Risk

Audit and Enterprise Risk provides independent, objective assurance and consulting services to improve the effectiveness of risk management, control, cyber security, and governance processes.

- Activities/Areas
  - Internal Audit
  - Information and Cyber Security
  - Enterprise Risk Management
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Information and Cyber Security costs are allocated using the IT-3 factor
  - Remaining costs are allocated using the general allocator



# Finance

Maintains our treasury, accounting, taxes, investor relations, and overall budgeting and forecasting.

- Activities/areas
  - Accounting
  - Financial planning and analysis and operations analytics
  - Tax
  - Treasury
  - Investor relations
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Operational accounting (asset management, gas costs accounting) and operations analytics allocated using the regional utility allocators
  - All other costs are allocated with the general allocator



# Human Resources

Works to attract and retain the best talent and provide personal growth and development opportunities for every employee while providing competitive wages and benefits.

- Activities/areas
  - Talent acquisition
  - Organizational Development
  - Training
  - Compensation and Benefits
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Benefits and taxes follow payroll and allocated as a % of payroll
  - All HR shared costs are spread on an employee count basis
    - Cost methods include MO utility allocator, utility allocator, or Southeast utility
  - Approximately 70% of HR spread according to a corporate wide allocator





# Information Technology Services

Supports our technology needs from strategic guidance to infrastructure and security management to application and service desk support.

- Activities/areas
  - Infrastructure
  - Application Delivery
  - Communications
  - Data Warehouse
  - Business Support Services
  - Technology Strategy and Guidance
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Application operations based on system used (e.g. Maximo, GIS, Click) for all utilities
  - Costs in support of customer services technologies are spread on customer %
  - Cost to affiliates are allocated using the IT-3 factor allocator



# Legal, Insurance, Claims

Supports the business with all legal and federal regulatory matters and provides general legal counsel to our business units.

- Activities/areas
  - Manage Litigation
  - Review and Execution of Contracts
  - Claims and Insurance
  - Regulatory & Environmental Matters
  - General Legal Advice
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Utilities are allocated using the utility allocator
  - Corporate allocated using the general allocator
  - Property insurance charged on % of assets (reflected in direct cost line)
  - General liability charged based on 3 factor of fixed assets, headcount, and customers (reflected in direct cost line)
  - Other insurance charged using the general allocator (reflected in direct cost line)



# Supply Chain

Supports the business with sourcing, procuring, purchasing and managing goods and services.

- Activities/areas
  - Sourcing and Procurement Services
  - Payment Services
  - Supplier Relationship Management
  - Employee Expense Management
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Allocations are based on purchases by entity
  - Payment Services are allocated on transactions processed



# Facilities & Corporate Security

Supports the business in maintaining our real estate, buildings, workspaces, and parking as well as the security and protection of the company's facilities, employees and capital assets.

- Activities/areas
  - Real Estate Procurement and Disposition
  - Construction Management Services
  - Maintenance & Custodial Services
  - Work Space Management
  - Corporate security
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Corporate or shared locations, payroll and maintenance allocated on square footage



# Corporate Communications & Marketing

Expresses company news to our customers and employees through traditional and social media, internal communications, special events and more.

- Activities/areas
  - Creative Services
  - External Communications
  - Internal Communications
  - Marketing & Research
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Internal communications costs allocated on general allocator
  - Creative Services / Marketing costs allocated using the utility general allocator
  - External communications allocated on general allocator



# Project Management (PMO), Continuous Improvement, Strategic Planning

- Activities/Areas
  - Project Management Office (PMO)
    - The primary purpose of the PMO within Spire is to provide a framework to drive work, enhance visibility into risk across the company, and deliver outcome based projects. Also the PMO is responsible to provide communication and reporting of program and project health, including cost and mitigation of identified issues
  - Continuous Improvement
    - Continuous Improvement has been built out as a part of our PMO organization and is charged with providing tools and knowledge to the company to improve core business processes.
  - Strategic Planning and Corporate Development
    - Strategic planning provides guidance to our business units and helps set and manage long-term goals and objectives.
- As appropriate, costs are direct charged to an individual business
- Allocation of Costs
  - Majority of costs not direct charged are allocated using the general allocator



# Regulatory and External Affairs

Supports the business in the areas of regulatory and legislative affairs as well as economic development.

- Activities/Areas
  - Governmental Affairs
  - Economic Development
  - Regulatory (Distribution Operations Shared Service)
- As appropriate, costs are direct charged to an individual business
- Allocation of Costs
  - Majority of teams are regionally focused and use the regional utility allocators
  - All other costs are allocated with the general allocator



# Customer Experience

The Customer Experience group is responsible for all customer to company interactions.

- Activities/areas
  - Community & Agency Services
  - Credit & Collections
  - Customer Contact
  - Dispatching
  - Meter Reading & Billing Services
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - MO utility costs allocated based on relative number of MO customers per jurisdiction
  - Most customer experience costs for Southeast are related to the Contact Center which serves AL and Gulf only; these costs are allocated using customers
  - Management costs are allocated based on relative number of utility customers per jurisdiction





# System Control and Gas Supply

Supports the utilities with gas demand planning, procuring gas supplies, monitoring system pressures, managing storage and peaking assets, and maintaining instrumentation and control equipment.

- Activities/areas
  - System Control
  - Instrumentation and Control
  - Underground Storage / LNG
  - Plants and Stations Departments
  - Gas Supply Purchasing, Sales, and Risk Management
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Senior departmental personnel allocated on gas system miles of main



# Operations Support & Services

Supports gas utilities via the following activities

- Activities/areas
  - Workload planning & dispatch
  - Business support
  - Operations standardization
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Management costs are allocated based predominantly using system miles or customers per jurisdiction



# Business Development

Develops business opportunities to attract new residential, commercial and industrial customers, while encouraging existing customers to expand natural gas usage to drive future growth.

- Activities/areas
  - Profitably add new customers or expand gas utilization of existing customers
  - Customer Care for large users
  - Provide Project Financial Modeling and Planning
  - Energy efficiency
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Senior departmental personnel allocated on customers



# Operation Services

Supports gas utilities and other areas in distribution operations with overall engineering and mapping services, pipeline safety, employee safety and health, environmental management, crisis intervention, customer metering and pressure regulation support, and fleet management.

- Activities/areas
  - Construction Engineering, System Planning, GIS and Right-of-Way
  - Pipeline Safety Compliance and Integrity, Damage Prevention and Operations Training/Standards
  - Employee Health and Safety, Environmental Compliance and Crisis Management
  - Measurement – customer meter and pressure regulator integrity
  - Fleet Management – vehicle and equipment procurement, maintenance and repair
- As appropriate, costs are direct charged to an individual business
- Allocation of costs
  - Costs are allocated primarily using the system miles or customer allocators over the appropriate distribution



# Allocation Factor Detail Listing

# Missouri Impacting Allocation Factors

Factors	MO	AL	Gulf	MS	Other (Non-Utility)
Corporate-wide (3 Factor)	64.6%	24.3%	4.3%	0.9%	5.9%
700 Mkt (Sf)	68.3%	21.7%	3.8%	0.8%	5.4%
800 Mkt (Sf)	81.9%	12.6%	2.2%	0.5%	2.8%
Facilities Shared Services (Sf)	71.6%	19.5%	3.4%	0.7%	4.8%
Corporate-wide (HC)	68.3%	26.0%	3.4%	1.0%	1.4%
Corporate-wide (Invoices)	63.2%	25.5%	4.3%	1.8%	5.2%
Corporate-wide (IT-3 Factor)	61.4%	30.0%	4.4%	1.0%	3.1%
Restricted Stock (Other)	59.5%	24.4%	4.5%	1.0%	10.7%
Gas Utilities Only (3 Factor)	68.6%	25.8%	4.6%	1.0%	n/a
Gas Utilities Only (Customers)	69.2%	24.8%	4.9%	1.1%	n/a
Gas Utilities Only (HC)	69.3%	26.3%	3.4%	1.0%	n/a
Gas Utilities Only (IT-3 Factor)	63.4%	31.0%	4.6%	1.1%	n/a
Gas Utilities Only (System Miles)	51.0%	39.9%	7.2%	2.0%	n/a
Gas Utilities Only (Transportation)	58.5%	29.8%	10.8%	0.8%	n/a
Gas Utilities Only (Vehicles)	65.8%	28.9%	3.8%	1.5%	n/a
Exclude Southeast Utilities (3 Factor)	91.6%	n/a	n/a	n/a	8.4%
Exclude Southeast Utilities (HC)	98.0%	n/a	n/a	n/a	2.0%
Exclude Southeast Utilities (IT-3 Factor)	95.2%	n/a	n/a	n/a	4.8%
Gas Supply (Prod Hrs)	92.3%	0.0%	0.0%	0.0%	7.7%
Measurement (Prod Hrs)	98.5%	1.5%	0.0%	0.0%	0.0%



Pension		Actuals			Rates amount			Variance		
		Missouri East	Missouri West	Total	Missouri East	Missouri West	Total	Missouri East	Missouri West	Total
FY2018	October 1, 2017 - September 30, 2018	30,485,000	5,500,000	35,985,000	21,125,000	8,067,352	29,192,352	9,360,000	(2,567,352)	6,792,648
FY2019	October 1, 2018 - September 30, 2019	19,600,000	7,100,700	26,700,700	29,000,000	5,472,636	34,472,636	(9,400,000)	1,628,064	(7,771,936)
FY2020	October 1, 2019 - September 30, 2020	22,150,000	6,500,000	28,650,000	29,000,000	5,472,636	34,472,636	(6,850,000)	1,027,364	(5,822,636)
	<b>Total at test year ended 9/30/2020</b>	<b>72,235,000</b>	<b>19,100,700</b>	<b>91,335,700</b>	<b>79,125,000</b>	<b>19,012,624</b>	<b>98,137,624</b>	<b>(6,890,000)</b>	<b>88,076</b>	<b>(6,801,924)</b>
<i>FY2021 projected</i>	<i>October 1, 2020 - May 31, 2021</i>	<i>27,200,000</i>	<i>2,650,000</i>	<i>29,850,000</i>	<i>19,333,333</i>	<i>3,648,424</i>	<i>22,981,757</i>	<i>7,866,667</i>	<i>(998,424)</i>	<i>6,868,243</i>
	<b>Total at end of 5/31/2021</b>	<b>99,435,000</b>	<b>21,750,700</b>	<b>121,185,700</b>	<b>98,458,333</b>	<b>22,661,048</b>	<b>121,119,381</b>	<b>976,667</b>	<b>(910,348)</b>	<b>66,319</b>
<b>OPEB</b>										
FY2018	October 1, 2017 - September 30, 2018	5,057,112	-	5,057,112	9,098,749	-	9,098,749	(4,041,637)	-	(4,041,637)
FY2019	October 1, 2018 - September 30, 2019	-	-	-	8,600,000	-	8,600,000	(8,600,000)	-	(8,600,000)
FY2020	October 1, 2019 - September 30, 2020	-	-	-	8,600,000	-	8,600,000	(8,600,000)	-	(8,600,000)
	<b>Total at test year ended 9/30/2020</b>	<b>5,057,112</b>	<b>-</b>	<b>5,057,112</b>	<b>26,298,749</b>	<b>-</b>	<b>26,298,749</b>	<b>(21,241,637)</b>	<b>-</b>	<b>(21,241,637)</b>
<i>FY2021 projected</i>	<i>October 1, 2020 - May 31, 2021</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>5,733,333</i>	<i>-</i>	<i>5,733,333</i>	<i>(5,733,333)</i>	<i>-</i>	<i>(5,733,333)</i>
	<b>Total at end of 5/31/2021</b>	<b>5,057,112</b>	<b>-</b>	<b>5,057,112</b>	<b>32,032,083</b>	<b>-</b>	<b>32,032,083</b>	<b>(26,974,971)</b>	<b>-</b>	<b>(26,974,971)</b>

## Pension and OPEB Recovery

(millions)

	Requested recovery		
	East	West	Total
Annual funding	41.5	6.9	48.4
Prepaid amortization	11.6	(2.3)	9.3
<b>Total</b>	<b>53.1</b>	<b>4.6</b>	<b>57.7</b>

	Current recovery		
	East	West	Total
Annual funding	37.6	5.5	43.1
Prepaid amortization	21.6	(3.3)	18.3
<b>Total</b>	<b>59.2</b>	<b>2.2</b>	<b>61.4</b>

<b>Change in total recovery</b>	<b>(6.1)</b>	<b>2.4</b>	<b>(3.7)</b>
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Funding	Requested recovery		
	East	West	Total
Pension	\$ 41.5	\$ 6.9	\$ 48.4
OPEB	\$ -	\$ -	\$ -
<b>Total funding</b>	<b>\$ 41.5</b>	<b>\$ 6.9</b>	<b>\$ 48.4</b>

Prepaid amortization	Requested recovery		
	East	West	Total
Pension	\$ 10.6	\$ (2.5)	\$ 8.1
OPEB	\$ 1.0	\$ 0.2	\$ 1.2
<b>Total amortization</b>	<b>\$ 11.6</b>	<b>\$ (2.3)</b>	<b>\$ 9.3</b>

Combined	Requested recovery		
	East	West	Total
Pension	\$ 52.1	\$ 4.4	\$ 56.5
OPEB	\$ 1.0	\$ 0.2	\$ 1.2
<b>Total combined</b>	<b>\$ 53.1</b>	<b>\$ 4.6</b>	<b>\$ 57.7</b>

Funding	Current recovery		
	East	West	Total
Pension	\$ 29.0	\$ 5.5	\$ 34.5
OPEB	\$ 8.6	\$ -	\$ 8.6
<b>Total funding</b>	<b>\$ 37.6</b>	<b>\$ 5.5</b>	<b>\$ 43.1</b>

Prepaid amortization	Current recovery		
	East	West	Total
Pension	\$ 16.4	\$ (3.6)	\$ 12.9
OPEB	\$ 5.2	\$ 0.3	\$ 5.5
<b>Total amortization</b>	<b>\$ 21.6</b>	<b>\$ (3.3)</b>	<b>\$ 18.3</b>

Combined	Current recovery		
	East	West	Total
Pension	\$ 45.4	\$ 1.9	\$ 47.3
OPEB	\$ 13.8	\$ 0.3	\$ 14.1
<b>Total combined</b>	<b>\$ 59.2</b>	<b>\$ 2.2</b>	<b>\$ 61.4</b>