

Exhibit No. 805

Exhibit No.:
Issues: Cost of Service; Rate Design
Witness: Brian C. Collins
Type of Exhibit: Surrebuttal Testimony
Sponsoring Parties: MIEC and Vicinity
Case No.: GR-2021-0108
Date Testimony Prepared: July 14, 2021

**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 General
Rate Increase for Natural Gas Service Provided
in the Company's Missouri Service Areas**

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) **Case No. GR-2021-0108**
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Surrebuttal Testimony and Schedules of

Brian C. Collins

On behalf of

**Missouri Industrial Energy Consumers
and Vicinity Energy Kansas City, Inc.**

July 14, 2021



Project 11068

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Surrebuttal Testimony of Brian C. Collins

I. Introduction

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140,
Chesterfield, MO 63017.

**Q ARE YOU THE SAME BRIAN C. COLLINS WHO PREVIOUSLY FILED DIRECT AND
REBUTTAL TESTIMONY IN THIS PROCEEDING?**

A Yes. On May 26, 2021, I filed direct testimony and on June 17, 2021, I filed rebuttal
testimony, both on behalf of the Missouri Industrial Energy Consumers ("MIEC") and
Vicinity Energy Kansas City, Inc. ("Vicinity"). The MIEC is a non-profit corporation that
represents the interests of industrial customers in matters involving utility issues.
Those interests include the interests of large industrial consumers of Spire Missouri
Inc. ("Spire" or "Company"). Vicinity is a "heating company" and a "public utility" as
those terms are defined in Sections 386.020(20) and 386.020(43). Vicinity, therefore,
is not only a customer of Spire, but also a competitor with Spire. Vicinity is one of the
largest users and transporters of natural gas on the Spire system.

**Brian C. Collins
Page 1**

1 **Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

2 A The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Spire
3 witness Timothy S. Lyons with respect to class cost of service.

4 My silence on any aspect of either the Company's or Staff's rebuttal filings
5 should not be construed as an endorsement of, or agreement with, the Company's or
6 Staff's positions.

7 **Q PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.**

8 A My conclusions and recommendations are as follows:

- 9 1. Spire has prepared rebuttal class cost of service studies for both Spire East
10 and West¹ that rely on the Staff's direct class cost of service position, but
11 utilizes Spire's rebuttal allocator for distribution mains. In this regard, Spire
12 fails to account for all of the changes that Staff made to its class cost of
13 service studies in its corrected direct testimony filed on June 9, 2021.
- 14 2. My modification to Staff's corrected direct testimony class cost of service
15 studies filed on June 9, 2021 with Spire's rebuttal distribution mains
16 allocator will capture Staff's revised direct testimony class cost of service
17 positions.
- 18 3. Implementing Spire's rebuttal main allocators in Staff's corrected direct
19 class cost of service studies filed June 9, 2021, along with properly
20 allocating income taxes as well as storage, natural gas inventory, and
21 propane inventory costs to classes, results in rate decreases for the
22 Transportation classes in both Spire West (approximately 13.4%, or
23 \$2.5 million) and Spire East (approximately 37.3%, or \$5.5 million).
- 24 4. The results of my modifications to Staff's corrected direct testimony class
25 cost of service studies filed June 9, 2021 are consistent with Staff's original
26 direct testimony position of no increase for the Transportation classes in
27 both Spire East and Spire West.

¹Spire East refers to the service territory previously called Laclede Gas Company. Spire West refers to the service territory previously called Missouri Gas Energy ("MGE").

1 **II. Response to Spire Witness Lyons**

2 **Q HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF SPIRE WITNESS LYONS**
3 **WITH RESPECT TO CLASS COST OF SERVICE?**

4 A Yes.

5 **Q HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF STAFF WITNESSES**
6 **WITH RESPECT TO CLASS COST OF SERVICE?**

7 A Yes. Staff witnesses Sara L. K. Lange and Charles T. Poston recommend that the
8 Company's cost of service study not be relied upon for determining rates due to errors
9 in meter/service allocators, among other concerns.

10 **Q HAS THE COMPANY PREPARED REBUTTAL CLASS COST OF SERVICE**
11 **STUDIES BASED ON STAFF'S DIRECT TESTIMONY CLASS COST OF SERVICE**
12 **STUDIES?**

13 A Yes. However, the Company did **not** use Staff witness Robin Kliethermes' **corrected**
14 direct testimony class cost of service studies filed on June 9, 2021 for the basis of its
15 rebuttal class cost of service studies. Instead, Spire used Ms. Kliethermes' class cost
16 of service studies filed with Staff's direct testimony. Specifically, Mr. Lyons stated at
17 page 11 of his testimony, the following:

18 We note Staff filed corrected testimony on June 9, 2021 that included
19 an update to the Demand Allocator. Due to time limitations, the
20 Company was unable to sufficiently evaluate Staff's changes to the
21 allocator. The Company plans to provide an updated response in
22 Surrebuttal Testimony.

1 Q WHAT ARE THE DIFFERENCES BETWEEN SPIRE'S REBUTTAL COST OF
2 SERVICE STUDIES AND STAFF'S DIRECT TESTIMONY CLASS COST OF
3 SERVICE STUDIES?

4 A Mr. Lyons claims the only difference between his rebuttal class cost of service studies
5 and Staff's direct testimony class cost of service studies is the allocation of distribution
6 main costs.

7 Q HOW DO SPIRE'S REBUTTAL DISTRIBUTION MAINS ALLOCATORS FOR THE
8 TRANSPORTATION CLASS COMPARE TO MS. KLIETHERMES' MAINS
9 ALLOCATORS FOR THE TRANSPORTATION CLASS USED IN HER REVISED
10 DIRECT TESTIMONY CLASS COST OF SERVICE STUDIES?

11 A Regarding the mains allocators for the Transportation classes, the Company uses
12 4.83% and 8.97% for Spire East and Spire West, respectively, in its rebuttal testimony
13 class cost of service studies. This compares to 2.37% and 8.07% for Spire East and
14 Spire West, respectively, as used by Ms. Kliethermes in her revised direct testimony
15 class cost of service studies. Thus, Spire allocates more distribution mains costs in its
16 rebuttal studies to the Transportation classes as compared to the distribution main
17 costs allocated by Ms. Kleithermes in her corrected direct testimony class cost of
18 service studies filed on June 9, 2021.

19 Q DO SPIRE'S REBUTTAL CLASS COST OF SERVICE STUDIES CONTAIN STAFF'S
20 INCORRECT ALLOCATION OF INCOME TAXES AS DESCRIBED AND
21 CORRECTED IN YOUR REBUTTAL TESTIMONY?

22 A Yes. As reflected at pages 3-7 of my rebuttal testimony, Staff inappropriately allocated
23 income taxes on the basis of each class's share of income taxes at present rates. The

1 practical effect of this faulty allocator is that classes that are already paying rates that
2 are above cost of service are allocated an excessive amount of income taxes.
3 Meanwhile, classes that are paying rates that are below cost of service are allocated
4 less than their fair share of income taxes. Such a methodology effectively perpetuates
5 subsidies in rates in that classes that are subsidized are relieved of costs (i.e., income
6 taxes). Recognizing that a utility earns its profit based upon its rate base investment,
7 and that income taxes are paid based upon profits, a more appropriate allocator is to
8 allocate the utility's tax burden consistent with the allocation of rate base to each class.

9 **Q DO SPIRE'S REBUTTAL CLASS COST OF SERVICE STUDIES ALSO CONTAIN**
10 **STAFF'S INCORRECT ALLOCATION OF STORAGE, NATURAL GAS INVENTORY,**
11 **AND PROPANE INVENTORY COSTS AS DESCRIBED IN YOUR REBUTTAL**
12 **TESTIMONY?²**

13 **A** Yes. As reflected at pages 8-12 of my rebuttal testimony, Staff has inappropriately
14 included costs associated with Spire East's storage, natural gas investment, and
15 propane inventory. Important in this regard is that none of these functions are used to
16 provide service to Transportation customers. Transportation customers are not
17 permitted to utilize Spire East's storage facilities. Rather, to the extent that a
18 Transportation customer needs to utilize storage facilities, it must rely upon and pay
19 the costs for using interstate pipeline storage facilities. It is illogical for customers to
20 get charged for facilities that they are not permitted to use as suggested by Staff's faulty
21 class cost of service studies.

² Spire East owns natural gas storage assets; Spire West does not. Both systems have natural gas inventory. Spire East also has propane inventory.

1 Q HAVE YOU MODIFIED MS. KLIETHERMES' REVISED DIRECT TESTIMONY
2 CLASS COST OF SERVICE STUDIES FILED JUNE 9, 2021 TO INCLUDE SPIRE'S
3 MAIN ALLOCATORS RECOMMENDED IN MR. LYONS' REBUTTAL TESTIMONY?

4 A Yes. I have taken Ms. Kleithermes' revised class cost of service studies filed on June 9,
5 2021 and included Spire's distribution main allocators included in its rebuttal class cost
6 of service studies sponsored by Mr. Lyons. The June 9, 2021 Staff class cost of service
7 studies capture the modified demand allocator as well as other modifications
8 Ms. Kleithermes made to Staff's class cost of service studies included with its direct
9 testimony.

10 Besides including Spire's rebuttal mains allocators in Staff's corrected direct
11 testimony class cost of service studies, I have also corrected the allocation of storage,
12 natural gas inventory, and propane inventory costs in Staff's class cost of service
13 studies filed on June 9, 2021. Transportation customers do not use these assets for
14 service from Spire. In addition, I have taken the results of the modified Staff corrected
15 studies and corrected the allocation of income taxes as described in my rebuttal
16 testimony. In my rebuttal testimony, I recommended that a class's responsibility for
17 Income Taxes at cost of service should be calculated by applying the system average
18 rate of return to that class's allocated rate base. This will determine its return on rate
19 base in dollars. The class's percentage share of the total Company return on rate base
20 in dollars should then be applied to the total Company Income Taxes to derive the
21 class's responsibility for Income Taxes.

1 **Q WHAT ARE THE RESULTS OF YOUR MODIFICATIONS AS DESCRIBED ABOVE**
2 **TO STAFF'S JUNE 9, 2021 CLASS COST OF SERVICE STUDIES?**

3 A The results are shown in Schedule BCC-SUR-1. Specifically, for the Transportation
4 classes, the Spire West Transportation class is deserving of an approximate 13.4%, or
5 \$2.5 million, decrease. The Spire East Transportation class is deserving of an
6 approximate 37.3%, or \$5.5 million, decrease.

7 **Q ARE THE RESULTS OF THE MODIFIED JUNE 9, 2021 STAFF CLASS COST OF**
8 **SERVICE STUDIES CONSISTENT WITH STAFF'S DIRECT TESTIMONY**
9 **RECOMMENDATION THAT THE TRANSPORTATION CLASSES IN BOTH SPIRE**
10 **EAST AND SPIRE WEST RECEIVE NO INCREASES?**

11 A Yes. The result of modifying Staff's corrected class cost of service studies filed on
12 June 9, 2021 to include Spire's rebuttal mains allocators sponsored by Mr. Lyons, as
13 well as correcting for the allocation of income taxes, storage, natural gas inventory, and
14 propane inventory costs, indicates that the Transportation classes in both Spire West
15 and Spire East are deserving of rate decreases. (See Staff Class Cost of Service
16 Report, page 7 (Spire East) and 8 (Spire West)).

17 The results of these modified Staff class cost of service studies are consistent
18 with Staff's direct testimony recommendation of no increase for Transportation
19 customers in both Spire East and Spire West. (See Staff Class Cost of Service Report,
20 page 21 (Spire East) and 22 (Spire West)).

1 Q DOES THE ALLOCATION OF NATURAL GAS INVENTORY, PROPANE
2 INVENTORY AND STORAGE COSTS TO TRANSPORTATION CLASSES BY
3 MR. LYONS IN SPIRE'S REBUTTAL CLASS COST OF SERVICE STUDIES
4 CONTRADICT SPIRE'S ALLOCATION IN DIRECT TESTIMONY FOR THE
5 CURRENT RATE CASE AS WELL AS SPIRE'S DIRECT TESTIMONY ALLOCATION
6 IN ITS PREVIOUS RATE CASE?

7 A Yes. In its direct testimony in this rate case, and its direct testimony in the last rate
8 case, Spire did not allocate either storage costs or natural gas and propane inventory
9 costs to Transportation classes. This is consistent with cost of service. Storage, gas
10 inventory, and propane inventory assets are not used to provide gas supply service to
11 Transportation customers. That said, however, by simply making its distribution main
12 modification to Staff's faulty class cost of service studies, Spire has inappropriately
13 included Staff's allocation of storage, natural gas and propane inventory costs to the
14 Transportation class.

15 Q WHAT WAS SPIRE'S REASON FOR NOT ALLOCATING STORAGE COSTS TO
16 TRANSPORTATION CUSTOMERS IN THE LAST RATE CASE?

17 A Spire noted that Transportation customers do not have access to the Company's
18 storage assets. Because Transportation customers manage their own gas supply and
19 are unable to utilize Company storage assets because the Company prohibits access,
20 Spire did not allocate any of the Company's storage asset costs or gas inventory costs
21 to Transportation classes.

22 The lack of access by Transportation customers to Company storage was
23 confirmed in an email from Spire and attached to my surrebuttal testimony filed in
24 Spire's previous rate case. It is again provided, and attached as Schedule BCC-SUR-2.

1 There Spire pointed out that “[t]ransportation customers manage their own gas supply
2 and are not allowed to use Laclede’s storage assets.” It is my understanding that
3 Transportation customers continue to have no access to Spire storage assets for
4 storing their third-party purchased natural gas supply.

5 **Q IF THE COMMISSION WERE TO ACTUALLY ACCEPT THE ALLOCATION OF**
6 **NATURAL GAS INVENTORY AND PROPANE INVENTORY COSTS, AS WELL AS**
7 **THE ALLOCATION OF STORAGE ASSET COSTS TO TRANSPORTATION**
8 **CUSTOMERS IN THIS RATE CASE AS PROPOSED BY STAFF, WOULD THE**
9 **COMPANY’S TARIFFS NEED TO BE MODIFIED?**

10 A Yes. If Transportation customers were to be allocated the costs of storage assets, they
11 should no longer pay the existing Spire East charge for storing gas imbalances with the
12 Company when they over-deliver natural gas. Also, Spire’s tariff’s should be modified
13 to give Transportation customers in Spire East the right to inject, store and withdraw
14 third-party gas they purchase using Spire’s storage assets. Transportation customers
15 should be entitled to utilize Spire’s storage assets to hedge natural gas prices as well
16 as to supplement and balance their daily natural gas purchases from third-party
17 suppliers.

18 **Q ARE YOU AWARE OF UTILITIES THAT ALLOCATE STORAGE CAPACITY TO**
19 **TRANSPORTATION CUSTOMERS?**

20 A Yes. For example, in Illinois, Ameren Illinois, Nicor Gas, and Peoples Gas allocate
21 storage capacity to Transportation classes. The tariffs for these Companies allow
22 Transportation customers to utilize a portion of the Company’s storage assets for
23 storing and withdrawing the third-party gas supply they purchase. In these instances,

1 because Transportation customers are permitted to utilize the utility's storage capacity,
2 they are appropriately allocated transportation costs. If Spire Transportation customers
3 are charged the cost of storage and natural gas inventory, they should be able to
4 actually utilize the Company's storage assets similar to Transportation customers that
5 take delivery service from Ameren Illinois, Nicor Gas, and Peoples Gas.

6 If Transportation customers are actually allocated the costs of storage as
7 proposed by Staff, the Commission must expeditiously begin a process to determine
8 specific storage and withdrawal rights Transportation customers should be entitled to
9 on the Spire East system. The Commission must also determine the specific tariff
10 modifications needed to implement access to Spire East's storage assets for
11 Transportation customers, and order that revised tariffs be expeditiously filed.

12 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

13 **A** Yes, it does.

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**Spire West - Staff Income Tax Allocation and Natural Gas Inventory Allocation Corrected by MIEC/Vicinity
With Spire Rebuttal Testimony Mains Allocator**

<u>Line</u>	<u>Description</u>	<u>Total</u>	<u>Residential</u>	<u>General Services & Large Volume Service</u>	<u>Transportation</u>	<u>Unmetered Gas Light</u>
		(1)	(2)	(3)	(4)	(5)
1	Rate Base	1,177,520,390	902,320,829	189,851,167	85,348,140	254
2		100%	76.6%	16.1%	7.2%	0.0%
3	Return on Rate Base (Line 1 x 0.06914)	81,413,760	62,386,462	13,126,310	5,900,970	18
4		100%	76.6%	16.1%	7.2%	0.0%
5	Income Taxes (Line 4 * \$21,197,253)	21,197,255	16,243,222	3,417,625	1,536,403	5
6		100%	76.6%	16.1%	7.2%	0.0%
7	Total Expenses	176,981,291	141,476,383	26,519,242	8,985,489	177
8		100%	79.9%	15.0%	5.1%	0.0%
9	Deferred Income Taxes	(4,921,280)	(3,867,572)	(759,663)	(294,045)	-
10		100%	78.6%	15.4%	6.0%	0.0%
11	Total Cost of Service (Line 3 + Line 5 + Line 7 + Line 9)	274,671,026	216,238,495	42,303,514	16,128,818	199
12	Current Rate Revenues	222,569,082	173,082,280	30,855,353	18,630,178	1,271
13	COS Based Increase / (Decrease) (Line 11 - Line 12)	52,101,944	43,156,215	11,448,161	(2,501,360)	(1,072)
14	% COS Based Increase / (Decrease)	23.4%	24.9%	37.1%	-13.4%	-84.3%

**Spire East - Staff Income Tax Allocation and Gas Inventory/Storage Allocation Corrected by MIEC/Vicinity
With Spire Rebuttal Testimony Main Allocators**

<u>Line</u>	<u>Description</u>	Total	Residential	Small General Service	Large General Service	Large Volume	LV Transport	Interruptible Sales	General L.P. Gas	Unmetered Gas Light	Vehicular Fuel
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Rate Base	1,573,485,557	1,225,271,591	149,484,208	143,378,252	3,209,898	50,408,566	1,529,735	50,033	86,569	66,705
2		100%	77.9%	9.5%	9.1%	0.2%	3.2%	0.1%	0.0%	0.0%	0.0%
3	Return on Rate Base (Line 1 x 0.06914)	108,790,791	84,715,278	10,335,338	9,913,172	221,932	3,485,248	105,766	3,459	5,985	4,612
4		100%	77.9%	9.5%	9.1%	0.2%	3.2%	0.1%	0.0%	0.0%	0.0%
5	Income Taxes (Line 4 * \$18,881,423)	18,881,420	14,702,942	1,793,772	1,720,502	38,518	604,890	18,356	600	1,039	800
6		100%	77.9%	9.5%	9.1%	0.2%	3.2%	0.1%	0.0%	0.0%	0.0%
7	Total Expenses	244,393,550	194,054,029	23,998,033	20,000,526	549,051	5,504,266	259,472	8,717	13,409	6,047
8		100%	79.4%	9.8%	8.2%	0.2%	2.3%	0.1%	0.0%	0.0%	0.0%
9	Deferred Income Taxes	(12,497,341)	(9,979,746)	(1,170,672)	(985,059)	(19,768)	(331,009)	(9,569)	(433)	(780)	(305)
10		100%	79.9%	9.4%	7.9%	0.2%	2.6%	0.1%	0.0%	0.0%	0.0%
11	Total Cost of Service (Line 3 + Line 5 + Line 7 + Line 9)	359,568,420	283,492,503	34,956,471	30,649,141	789,733	9,263,395	374,025	12,344	19,653	11,154
12	Current Rate Revenues	346,622,068	274,781,323	28,951,398	26,499,809	997,100	14,772,209	540,953	12,203	42,369	24,704
13	COS Based Increase / (Decrease) (Line 11 - Line 12)	12,946,352	8,711,180	6,005,073	4,149,332	(207,367)	(5,508,814)	(166,928)	141	(22,716)	(13,550)
14	% COS Based Increase / (Decrease)	3.7%	3.2%	20.7%	15.7%	-20.8%	-37.3%	-30.9%	1.2%	-53.6%	-54.8%

From: Meyer, Greg
Sent: Monday, November 06, 2017 11:45 AM
To: Collins, Brian; Brubaker, Maurice
Subject: FW: Spire Mo: Sales to LVTSS- Storage
Attachments: ACA THERMS 1117.xls

FYI

From: Weitzel, Scott A. [<mailto:Scott.Weitzel@spireenergy.com>]
Sent: Monday, November 06, 2017 11:35 AM
To: robin.kliethermes@psc.mo.gov; Meyer, Greg
Subject: Spire Mo: Sales to LVTSS- Storage

Hello,

There was some confusion on how much gas was sold under the LVTSS rate. Laclede sells a very small amount of gas to transportation customers as part of the balancing provisions in tariff sheet No. 38. The LVTSS PGA changes monthly which is laid out in tariff sheet No. 18 paragraph 5 of the PGA clause. I have attached a sheet showing the volumes for our different rate classes during fiscal 2017. Transport customers manage their own gas supply and are not allowed to use Laclede's storage assets. Please let me know if we need to jump on a call to discuss.

Thanks,

Scott Weitzel

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