APPENDIX A
SPIRE'S RESPONSE TO STAFF'S RECOMMENDATION

Staff of the Missouri Public Service Commission ("Staff") filed the Staff Recommendation in File No. GO-2024-0180 on March 13th, 2024. In that filing, Staff recommended that the Commission approve the Carbon Offset Initiative ("Program") subject to a list of modifications to the tariff as initially proposed by Spire. A total of 10 modifications to the tariff were made along with nine recommendations for annual reporting items. Spire is in agreement with the recommendations for annual reporting items. Spire will address each of the modifications to the tariff individually and provide a copy of the redlined tariff filed by Staff, and further redlined by Spire as Appendix B.

Before addressing Staff's modifications, Spire first notes that the Ccf Offset per dollar has been updated to reflect a more precise calculation. The redlined tariff in Appendix B referencing the revised tariffed rate, and the derivative tables showing examples of the monthly and annual charges and the associated Ccf of natural gas emissions offset for the specified customer class, based on normalized usage, were updated to reflect this change. Additionally, Spire is providing the attached excel workpaper that contains all the calculations used in creating the tariff rates and tables. This can be updated and provided during any future tariffed rate change requests.

Spire now provides its responses to Staff's modifications. For convenience, Spire provides the Staff modification followed by the Company response.

STAFF'S RECOMMENDED MODIFICATIONS TO THE PROPOSED TARIFF

i. *Participation terms and conditions should be clearly established in the specimen tariff.*

Spire's Response: Spire agrees with this modification.

ii. *Rate change requests associated with the Program will be included in the filing of Spire Missouri's general rate cases.*

Spire's Response: The Company believes that rate change requests for the Ccf[1] offset per $1 should be addressed independent of a rate case. This voluntary customer program does not impact the Company's revenue requirement, as the costs of the program are only shared among program participants. Furthermore, the Program will be annually evaluated to review current market prices for environmental attributes, administrative cost levels, and customer participation. The results of this evaluation may necessitate a rate change that should be submitted to the Commission and Staff for review and approved within a reasonable amount of time. A rate case can, but doesn't have to, be filed annually, and may take up to 11 months from the date filed to generate actionable rate changes. Spire does not agree that tying the Program rate changes to Company rate cases is the appropriate process and believes that further discussion with Staff on this modification is necessary.

[1] One hundred cubic feet.

iii. *At least 85% of Program revenue will be spent on attribute purchases.*

Spire's Response: Spire and Staff both appear to be cognizant of the administrative costs associated with all Company customer programs; the Carbon Offset Initiative is no different. Spire will seek to minimize administrative costs as a portion of total program expenditures. Spire's current Ccf Offset per $1 has an expense factor of 13% included in the rate. Staff correctly identified in its report that, "this percentage will fluctuate depending on the level of customer participation in the Program. If participation is lower than anticipated, the proportion of the dollar being spent on administrative costs will likely increase."[2] While Spire anticipates customer demand for the program, actual participation is ultimately outside of our control. It is possible that, in the initial year of Program operation, marketing and educational expenditures drive skewed administrative percentages if customer participation does not meet expectations. However, spending levels can be adjusted in future years. The Commission will be able to observe the administrative costs as a portion of revenues received by customers through the annual reporting process, which will include Staff's recommendations. At this time, Spire does not agree with setting the 85% factor, at least until after Spire, Staff, and the Commission have the ability to assess the participation of the Program.

iv. *Carbon offsets purchased and retired by Spire Missouri on the customers' behalf will be equal to or exceed the equivalent carbon emissions from the volume of gas equal to the product of the overall program revenue multiplied by the proposed rate of 2.89 Ccf per dollar. The formula for this conversion must be included in the tariff.*

Spire's Response: The Company agrees that the offsets purchased and retired on customers' behalf will be equal to or exceed the equivalent carbon emissions from the volume of gas equal to the product of the overall program revenue multiplied by the current Ccf per dollar rate. The Company does not believe it is appropriate to add the conversion rates in the tariff, explained further below.

As noted above, the Ccf offset per $1 rate has received an adjustment to 2.79 Ccf offset per $1, and this update is reflected in Appendix B along with the derivative customer class example tables. The current factor is predicated on being able to procure aggregate RTC and VCO attributes at a price of $3.00 per MMBtu plus an addition of an administrative cost factor discussed in the prior response. Spire has some flexibility at its disposal to achieve that target. However, the actual market will determine the prices for the EAs. It is because of the market environment that Spire is requesting to file for Program tariff rate adjustments outside of a rate case, as outlined in Spire's response to Staff recommendation ii above.

As noted in the Direct Testimony of Eric Bouselli, aggregate, combined prices for RTCs and VCOs were quoted in the $3.00 per MMbtu range during Spire's discussions with Anew around estimated pricing for the purchase of EAs to support the Program.[3]

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[2] Official case File Memorandum dated March 13, 2024. MO PSC File No. GO-2024-0180. Pg. 3.

[3] Based on our observations, using a price per MMBtu appears to be a common industry practice. Another practice observed is using a price per metric ton of CO2e offset. The MMBtu path is generally used when RTCs are in the

However, RTCs are typically priced per dekatherm, which is equivalent to a MMBtu, and VCOs are typically priced per metric ton of CO2e offset. Using industry defined ratios, allows the prices to be converted into a common price per MMBtu which Spire has then converted into Ccf equivalents since that is the volume billing measure used for our Missouri customers. Additionally, an administrative overhead rate of 13%, discussed in response to Staff recommendation iii, is factored into the final tariffed Ccf Offset per $1.

The following information can be used by Spire to evaluate the cost of different types of attributes in terms of Ccf, and similar factors may be used by EA brokers to convert costs to a common measurement. However, Spire believes that these formulas do not need to be explicitly listed in the tariff.

The US Energy Information Administration ("EIA") has a page on their website that lists the current conversion rates to move between different common natural gas measures such as MMBtu to Mcf[4] which can the easily be converted to Ccf.[5] The current stated conversion of MMBtu to Mcf is as follows: $ per MMBtu multiplied by 1.038 equals $ per Mcf. The Ccf equivalent is $ per MMBtu multiplied by .1038 equals $ per Ccf.

The US Environmental Protection Agency has a page on their website that calculates greenhouse gas equivalencies.[6] The stated equivalency in Mcf terms is 0.0550 metric tons CO2/Mcf[7] or converted to Ccf, the related equivalency is 0.00550 metric tons CO2/Ccf.

Spire does not believe that these complex conversion formulas need to be explicitly listed in the tariff, and, moreover, they would not reflect the administrative cost adder needed to arrive at the final stated tariff rate. Spire has provided the workpaper used to arrive at the tariff rate and related informational tables. The Company also proposes to use that workpaper as the basis for any future rate change request.

v. Attributes shall be retired for the sole benefit of participating customers.

Spire's Response: The Company agrees that the attributes shall be retired for the sole benefit of participating customers. The Program is created for residential and small general service customers to participate in to offset the greenhouse gas emissions of their natural gas usage. Their involvement in the Program will allow them to make certain environmental claims based on the selected level of participation. Spire will purchase the environmental attributes ("EAs") that form the basis of those claims and are intended to benefit participating customers. As stated in Company Witness Eric Bouselli's Direct

mix of attributes being purchased versus using 100% VCOs where it may then be more common to see price in terms of metric ton of CO2e offset.

[4] The volume of 1,000 cubic feet.

[5] Frequently Asked Questions (FAQs) - U.S. Energy Information Administration (EIA) - https://www.eia.gov/tools/faqs/faq.php?id=45&t=8

[6] Greenhouse Gases Equivalencies Calculator - Calculations and References | US EPA - https://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references

[7] Ibid. See the "Therms and Mcf of natural gas" section of the webpage.

Testimony, Spire will not be able to make any Scope 1 or 2 emissions[8] claims because of the attributes retired on customers behalf through participation in the program. However, while Spire does not actively track Scope 3 emissions and they are not part of our sustainability plan to be carbon neutral by midcentury, the Company does not agree it should be precluded from the ability to report these Scope 3 offsets in the future.

vi. *If in the event Spire Missouri fails to make attribute purchases to cover actual customer demand, all unspent customer funds be credited to each associated customer account annually.*

Spire's Response: Spire agrees with this modification.

vii. *The date by which attributes must be purchased or customer funds refunded should be one year after the first customer contributes to the Program.*

Spire's Response: Spire agrees with this modification.

viii. *Define the annual interest rate used to accrue interest will be the prime bank lending rate plus one percentage point as published in the Wall Street Journal for the last business day of the preceding calendar year. Specify that interest accrued on the Program account will either lower the total program cost or add to the cost of the program.*

Spire's Response: Spire agrees with this modification.

ix. *Specify whether Spire Missouri will be making the retirements on behalf of customers or if Anew will be making the retirements.*

Spire's Response: It is unclear if Staff is recommending the Company specify on a case-by-case basis which entity retired purchased attributes or that the Company specify that all of its future retirements will be made by either Spire or a third-party vendor. Spire does not believe it is necessary to declare prior to attribute retirement which entity will actually retire the attributes on a verified registry. Staff's annual reporting recommendations a. through c. request Spire provide information on RTCs and VCOs purchased, sold, transferred, or retired on each applicable tracking system. Spire believes these are reasonable recommendations and will include data points such as which entity retired the EAs.

With that said, it is Spire's intention to initially utilize the third-party to retire EAs purchased on participating customers' behalf. However, it is possible that Spire may want

[8] The Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard defines 'Scope 1'as direct GHG emissions that occur from sources that are owned or controlled by the company; 'Scope 2' as GHG emissions from the generation of purchased electricity consumed by the company; and 'Scope 3' as an optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf

the option to retire attributes on its own as we develop more experience and expertise in this area.

x. *Specify detailed conversion factors and engineering formulas used to determine the Ccf per dollar rate.*

Spire's Response: Spire is providing its workpaper that builds up its calculation to arrive at the specified Ccf per dollar rate included in the tariff. Spire does not believe that the formula for that calculation should be explicitly included in the tariff sheets themselves. See Spire's response to Staff recommendation iv for more discussion on how the tariffed rate was determined along with commonly accepted industry conversion ratios that Spire may use to evaluate attribute pricing.