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Issue(s):	Off-System Sales
Witness:	David A. Yonce
Type of Exhibit:	Surrebuttal
Testimony	
Sponsoring Party:	Spire Missouri, Inc.
Case No.:	GR-2022-0136
Date Prepared:	March 29, 2024

SPIRE MISSOURI, INC.

GR-2022-0136

SURREBUTTAL TESTIMONY

OF

DAVID A. YONCE

****Denotes Confidential Information****

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Spire Missouri, Inc. d/b/a Spire (West))
Purchased Gas Adjustment (PGA) Tariff Filing) File No. GR-2022-0136

VERIFICATION OF DAVID A. YONCE

STATE OF MISSOURI)
)
CITY OF ST. LOUIS)

I, David A. Yonce, of lawful age, under penalty of perjury, and pursuant to Section 509.030, RSMo, state as follows:

1. My name is David A. Yonce. I am the Managing Director of Regulatory Affairs for Spire Missouri, Inc. My business address is 700 Market St., St Louis, Missouri 63101.
2. My surrebuttal testimony on behalf of Spire Missouri, Inc. is attached to this verification.
3. My answers to each question in the attached surrebuttal testimony are true and correct to the best of my knowledge, information, and belief.

David Yonce
David Yonce (Mar 29, 2024 11:56 CDT)

David A. Yonce
Mar 29, 2024

Date

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1 **I. INTRODUCTION**

2 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR**
3 **THE BENEFIT OF THE MISSOURI PUBLIC SERVICE COMMISSION**
4 **(“COMMISSION”)?**

5 A. My name is David A. Yonce, and my business address is 700 Market Street, St. Louis, MO
6 63101.

7 **Q. ARE YOU THE SAME DAVID A. YONCE WHO PREVIOUSLY FILED DIRECT**
8 **AND REBUTTAL TESTIMONY IN THIS PROCEEDING?**

9 A. Yes, I submitted Direct Testimony and Rebuttal Testimony on behalf of Spire Missouri
10 Inc. (“Spire Missouri” or “Company”) in this proceeding.

11 **II. PURPOSE OF TESTIMONY**

12 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

13 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of David
14 M. Sommerer filed on behalf of the Staff of the Missouri Public Service Commission
15 (“Staff”).

16 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

17 A. I show that the matters identified in Staff witness Sommerer’s Rebuttal Testimony do not
18 alter the conclusion that the off-system sale transaction in question (the “OSS
19 Transaction”) was made and accounted for in accordance with Spire Missouri’s tariffs and
20 rules and regulations that govern off-system sales transactions and the Company.

21 Accounting for the OSS Transaction in accordance with the tariff results in a win for
22 Spire’s customers, a win for the purchasing utility, and a win for Spire itself. Staff’s
23 approach reveals that it is comfortable with recognizing the benefits to Spire’s customers

1 and the purchasing utility but does not want to honor the tariff incentive that brought about
2 those benefits.

3 No adjustment or disallowance is appropriate.

4 **III. RESPONSE TO STAFF REBUTTAL TESTIMONY**

5 **Q. HAVE YOU REVIEWED THE REBUTTAL TESTIMONY OF STAFF WITNESS**
6 **SOMMERER?**

7 A. Yes.

8 **Q. WHAT IS THE SUBJECT OF MR. SOMMERER'S REBUTTAL TESTIMONY?**

9 A. He purports to provide a rebuttal to the Company's Direct Testimony.

10 **Q. STAFF WITNESS SOMMERER SUGGESTS THAT THE KEY TO THIS CASE IS**
11 **WHAT GAS COST TO USE IN DETERMINING THE MARGIN. HE DESCRIBES**
12 **THIS AS THE "DIFFERENCE IN TARIFF INTERPRETATION AND**
13 **ULTIMATELY WHAT GAS IS REASONABLE TO ASSIGN. . . ." (REB., P. 2) DO**
14 **YOU AGREE WITH THAT DESCRIPTION?**

15 A. Generally, yes, that is what's at issue. Our understanding of the tariff and the application
16 of the facts to that tariff is certainly different from that of the Staff.

17 **Q. IS THE PHRASE "REASONABLE TO ASSIGN" USED ANYWHERE IN THE**
18 **OFF-SYSTEM TARIFF?**

19 A. No.

20 **Q. CAN YOU REMIND US WHAT TARIFF SHEET R-27 IN SPIRE MISSOURI'S**
21 **RULES AND REGULATIONS STATES ABOUT THE APPROPRIATE COST OF**
22 **GAS SUPPLY TO ASSIGN TO AN OSS TRANSACTION?**

23 A. Yes. It states:

1 Subject to the foregoing exclusion of certain gas supplies, the OS-CGS is equal to
2 the highest CGS from the CGS-Schedule (as defined below) associated with the
3 quantity of actual OS Sales for the pipeline on which the sale is made, unless a
4 lower CGS is documented and supported in accordance with the provisions of
5 Section 3 of this rule.
6

7 **Q. STAFF WITNESS SOMMERER ALLEGES THAT IN DETERMINING THE OFF-**
8 **SYSTEM COST OF GAS SUPPLY (OS-CGS), “THE GENERAL DEFAULT, AND**
9 **BASIC PRINCIPLE OF ALLOCATION UNDERLYING THE OSS TARIFF IS TO**
10 **USE THE HIGHEST COST OF GAS SUPPLY FLOWING ON THE PIPELINE IN**
11 **QUESTION.” (SOMMERER REB., P. 2-3). DO YOU AGREE WITH THIS**
12 **STATEMENT?**

13 A. Given how the tariff is written, it may seem like that is the default approach; however, in
14 the same sentence, the tariff language further provides for the use of a lower CGS where
15 “a lower CGS is documented and supported in accordance with the provisions of Section
16 3 of this rule.” (Tariff Sheet No. R-27.1) (emphasis added). Staff continues to leave out
17 the complete sentence of the tariff.

18 **Q. IS THE LOWER CGS PROVISION USED IN PRACTICE?**

19 A. Yes. It is common to use something other than “the highest CGS from the CGS-Schedule
20 . . . associated with the quantity of actual OS-Sales for the pipeline on which the sale is
21 made.” In fact, in the ACA period prior to this one, approximately 60% of OSS
22 Transactions utilized a lower CGS than the highest CGS from the CGS-Schedule.

23 **Q. DOES THIS ANALYSIS INFLUENCE YOUR OPINION OF MR. SOMMERER’S**
24 **SUGGESTION OF A DEFAULT APPROACH?**

25 A. Yes. I would not consider something a “default approach” when it was used only
26 approximately 40% of the time in the prior ACA.

1 **Q. HOW DOES MR. SOMMERER USE HIS “DEFAULT” APPROACH?**

2 A. Mr. Sommerer essentially uses it to allege that there was no profit margin on the
3 transaction. He states, “There was more than enough flowing gas supply being purchased
4 at a price in excess of the sales price for the OSS to plainly show that no real profit was
5 available from this transaction.” (Sommerer Reb., p. 3).

6 **Q. IS THAT TRUE?**

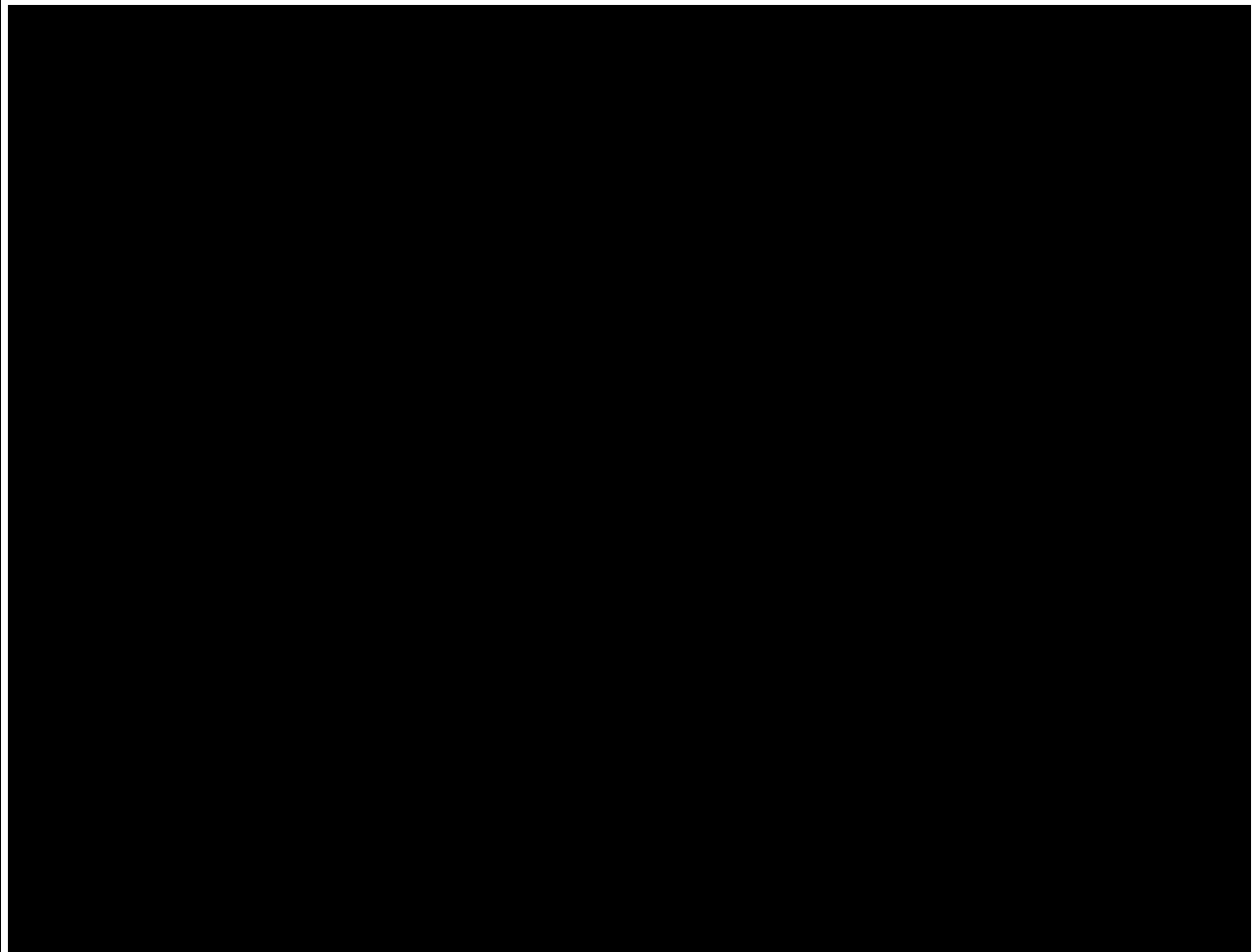
7 A. Absolutely not. As I explained in my Direct and Rebuttal Testimonies, the flowing gas
8 supply Mr. Sommerer referred to was gas being utilized to serve our customers and
9 supplement marketer shortfalls on our system. (Yonce Dir., pp. 13; Yonce Reb., pp. 14).
10 Therefore, the OSS Transaction had no connection to the flowing gas supply being
11 referenced by Mr. Sommerer because the decision to purchase that flowing gas supply was
12 made before the OSS Transaction was even contemplated. The primary impact of not doing
13 the OSS Transaction would have been higher prices for Spire customers because they
14 would not have received a \$75 million benefit from the sale. Additionally, the purchasing
15 utility would have suffered during an extremely challenging weather event, which could
16 have resulted in higher prices for Spire’s customers and all other customers in the region
17 due to that utility competing for additional flowing gas supply in the market due to its
18 inability to utilize storage.

19 **Q. IS STAFF USING THE HIGHEST COST OF GAS SUPPLY (CGS) AS**
20 **REPRESENTED IN THEIR REBUTTAL TESTIMONY PAGE 3 LINES 7-8?**

21 A. No. Staff may have assigned those molecules to the sale but did not assign the cost.

22 **Q. WHAT TARIFF PROVISION OR ASSIGNMENT COST IS STAFF USING?**

1 A. It is hard to say, but they are not assigning costs by any tariff provision that I can see or
2 any actual price of gas on the days they propose should be used. As Mr. Sommerer admits
3 in his Rebuttal Testimony, assigning the actual highest cost of gas on those days to this
4 transaction would have resulted in a negative profit margin (Sommerer Reb., p. 9). This
5 methodology would create a loss of nearly \$75 million. **Figure 1**, below, is taken from
6 Mr. Sommerer's Direct Testimony and demonstrates that Staff has not utilized the highest
7 cost of gas as the CGS for this transaction, but rather an arbitrary value of [REDACTED].



9
10 We respectfully ask the Commission to compare Figure 1 to Figure 2, below, which is the
11 GSC Schedule that lists all of the Company's gas purchases for the relevant period. In

1 doing so, the Commission will notice that [REDACTED] was not the highest price cost of gas, nor
2 any cost of gas. Rather, prices were actually in the \$300 dollar range.



3
4
5
6 **Q. DOES STAFF CONTINUE TO TALK ABOUT ALLOCATION OF GAS COSTS
7 TO THE TRANSACTION?**

8 A. Yes. On page 6, lines 11-12, of his Rebuttal Testimony, Mr. Sommerer states, “In addition,
9 the choice of the assignment was not to eliminate any profit, but to recognize a fair
10 allocation of gas costs to the transaction.”

11 **Q. DOES SHEET R-27 IN SPIRE MISSOURI’S RULES AND REGULATIONS
12 ALLOW FOR “FAIR ALLOCATION OF GAS COSTS” FOR THE ASSIGNMENT
13 COST?**

14 A. No. Again, the tariff provision states:

15 Subject to the foregoing exclusion of certain gas supplies, the OS-CGS is equal to
16 the highest CGS from the CGS-Schedule (as defined below) associated with the
17 quantity of actual OS Sales for the pipeline on which the sale is made, unless a
18 lower CGS is documented and supported in accordance with the provisions of
19 Section 3 of this rule.

1 The Company used the lower CGS that was documented and supported, which was not
2 detrimental to customers and was actually very beneficial to customers. Staff is not using
3 the highest CGS based on their own workpapers and shown in Figure 2 or a lower CGS
4 that is documented and supported.

5 **Q. MR. SOMMERER CRITICIZES SPIRE FOR ITS FOCUS ON THE GAS IT**
6 **PURCHASED TO REPLACE THE STORAGE GAS IT SOLD PURSUANT TO**
7 **THE OSS TRANSACTION, IN PART, BECAUSE “STAFF DOES NOT ASSUME**
8 **THAT THE GAS THAT WAS SOLD EVEN NEEDED TO BE REPLACED.”**
9 **((SOMMERER REB., P. 3). WAS THERE A REGULATORY REQUIREMENT**
10 **THAT SPIRE REPLACE THE SOLD GAS?**

11 A. No. However, it was certainly reasonable to do so for operational reasons, and whether or
12 not Staff believes the sold gas needed to be replaced, it was replaced. Just as there’s no
13 requirement that it needs to be replaced, there’s also no requirement that it not be replaced.
14 That decision ultimately falls on the gas supply team at Spire to do what they believe is
15 prudent at the time the decision is made. It was still mid to late February and Spire viewed
16 it to be prudent gas supply practice to ensure that there was sufficient storage gas available
17 if its service territory were to experience another cold spell, both to have supply available
18 in the event of another, possibly more prolonged, late winter cold spell and to help shield
19 Spire’s customers from future high prices that might be associated with such an event. This
20 was especially attractive when the market allowed for the sold gas to be replaced at a
21 relatively low cost. In fact, Mr. Sommerer states that he does “not dispute that it is possible”
22 that the Company purchased the gas it has identified “to be the relevant supply to replace
23 the gas sold out of storage.” (Sommerer Reb., p. 2).

1 Mr. Sommerer also seems to recognize the reasons Spire sought to replace the storage gas
2 at a reasonable price. He states, “Moving gas out of storage, could be problematical from
3 a reliability standpoint. In addition, storage tends to be part of a company’s hedging plan,
4 where moving significant gas out of storage could result in exposure to high prices later in
5 the heating season.” (Sommerer Reb., p. 5). In this case, the Company was able to sell
6 storage gas it could not use at the time, replace it quickly at a reasonable price, and maintain
7 protection against “exposure to high prices later in the heating season,” all to the financial
8 benefit of its customers.

9 **Q. STAFF WITNESS SOMMERER’S REBUTTAL TESTIMONY FOCUSES ON**
10 **REPLACEMENT GAS AND ASSIGNED GAS COSTS. IS THERE MUCH OF A**
11 **DIFFERENCE WITH THIS TRANSACTION?**

12 A. Not at all. Please don’t be confused by Staff talking about replacement gas and assigned
13 costs. In this transaction, the replacement gas was the relevant CGS assigned to the deal by
14 the Company. We did not have to replace the gas, but since it was a storage transaction,
15 and given the time of the year, we felt it was prudent to replace those molecules in case we
16 needed to use them for late winter or early spring supply. The replacement gas is therefore
17 the correct CGS to apply to this transaction.

18 **Q. MR. SOMMERER FURTHER INDICATES THAT IN HIS “RECOLLECTION,**
19 **THERE HAS NOT BEEN A SALE FROM STORAGE, IN THE HISTORY OF**
20 **MISSOURI OFF-SYSTEM SALES.” (SOMMERER REB., P. 4). ARE YOU**
21 **AWARE OF ANY SUCH SALES?**

22 A. Yes. Spire Missouri, through its eastern utility division, made a series of off-system sales
23 in April 2017 utilizing withdrawals from Enable MRT storage.

1 **Q. ON PAGE 5 OF HIS REBUTTAL TESTIMONY, STAFF WITNESS SOMMERER**
2 **PRESENTS A “CLARIFICATION” OF YOUR DIRECT TESTIMONY RELATED**
3 **TO A SOUTHERN STAR CENTRAL OPERATIONAL FLOW ORDER. DO YOU**
4 **AGREE WITH HIS CLARIFICATION?**

5 A. Yes. I also clarified/corrected this point in my Rebuttal Testimony (p. 11).

6 **Q. ON PAGE 7 OF HIS REBUTTAL TESTIMONY, MR. SOMMERER INDICATES**
7 **THAT [REDACTED]**
8 **[REDACTED]**
9 **[REDACTED]**
10 **[REDACTED]**
11 **[REDACTED] IS**
12 **THIS TRUE?**

13 A. Yes.

14 **Q. WHY WAS THE WACOG ORIGINALLY ASSOCIATED WITH THE OSS?**

15 A. The WACOG was used because in previous OSS transactions involving storage during a
16 prior ACA period, WACOG was used as the cost of gas (CGS). For example, WACOG
17 was used as the CGS in the April 2017 Enable MRT storage transactions I mentioned
18 above.

19 **Q. WHY WAS THIS TREATMENT REVERSED?**

20 A. Once the gas sold was replaced and it became known by Spire’s accounting department
21 that the replacement gas was the appropriate cost of gas supply to assign to the sale, the
22 replacement gas was assigned to the OSS Transaction.

1 **Q. WHAT WOULD BE THE IMPACT IF THE ORIGINAL TREATMENT WAS NOT**
2 **REVERSED AND THE COMMISSION THOUGHT THAT THE ASSIGNED COST**
3 **SHOULD BE THE STORAGE WACOG RATHER THAN [REDACTED] ?**

4 A. Using the storage WACOG as the CGS would result in a net profit increase of \$520,400
5 versus using the CGS used by the Company. This is calculated by multiplying the
6 difference between the storage WACOG of [REDACTED] and the Company-assigned CGS
7 of [REDACTED] by the volume of the OSS Transaction (500,000 MMBtu). This
8 higher net profit would have ultimately resulted in less benefit for customers, as it would
9 result in \$130,000 of additional PGA costs.

10 **Q. ARE THERE OTHER APPROACHES TO THE QUANTIFICATION OF STAFF'S**
11 **POSITION THAT COULD BE CONSIDERED?**

12 A. Given that Staff argues the gas purchased by Spire to replace the gas sold was not
13 necessary, I suppose one could decide that Spire not recover the cost of that gas, which is
14 approximately \$1.7 million.

15 **Q. WOULD SUCH A RESULT REQUIRE AN ADJUSTMENT TO THE ACA**
16 **BALANCES?**

17 A. No. In an effort to further benefit customers, Spire has already excluded the \$1.7 million
18 replacement gas cost from customers, so no adjustment would be required.

19 **Q. WHAT DO YOU MEAN "ALREADY EXCLUDED"?**

20 A. \$25 million is a round figure that has been used a lot in this case as the basis for an
21 adjustment or profit to the Company. The number is really not \$25 million. At a minimum,
22 the \$1.7 million cost of replacement gas should be backed out of the \$25 million figure.
23 So, that takes the \$25 million down to \$23.3 million. Further, the Company made a

1 significant donation to the Spire Foundation, which donates money to community not for
2 profits, and the Company also donated directly to other community groups. If the cost of
3 gas and donations are considered, the \$25 million should actually be thought of as closer
4 to \$15 million. Please see Schedule DAY-S-1.

5 **Q. FROM A POLICY PERSPECTIVE, MR. SOMMERER EVENTUALLY**
6 **INDICATES THAT “[T]HE PGA IS DESIGNED TO BE A PASS-THROUGH OF**
7 **THE ACTUAL, PRUDENTLY INCURRED, COST OF GAS. IT IS NOT PART OF**
8 **THE ROE CALCULATION, AND THE FACT THAT THE COMPANY**
9 **CONSIDERS THE OSS MARGIN INITIALLY BOOKED TO BE PART OF ITS**
10 **INCOME, DOES NOT TAKE AWAY FROM THE FACT THE COMMISSION**
11 **HAS THE AUTHORITY TO EVALUATE THE TRANSACTION AND RULE ON**
12 **THE ISSUE IN THIS CASE.” (SOMMERER REB., P. 9). DO YOU AGREE WITH**
13 **THIS CHARACTERIZATION?**

14 **A.** Yes. Spire’s approach is consistent with this statement. Spire agrees that the PGA is
15 designed to be “a pass-through of the actual, prudently-incurred, cost of gas” and that “the
16 Commission has the authority to evaluate the transaction and rule on the issue in this case.”
17 However, we are here because the Commission saw fit to incentivize those off-system sales
18 that would reduce the “actual, prudently-incurred, cost of gas.” In reliance on that
19 provision, Spire prudently executed the OSS Transaction at a critical time, doing the right
20 thing for its customers from a price perspective and helping out a neighboring utility in
21 need, all to the significant benefit of, and without harm to, Spire’s customers. Staff’s
22 recommended adjustment is effectively a disallowance and suggests Spire did not act

1 prudently in making the sale or purchasing the replacement gas that resulted in these
2 benefits.

3 **Q. ON PAGE 9 OF HIS REBUTTAL TESTIMONY, MR. SOMMERER REFERS TO**
4 **“THE COMPANY’S REQUEST TO KEEP APPROXIMATELY \$25 MILLION OF**
5 **WHAT THE COMPANY VIEWED AS A \$100 MILLION GAIN . . .” UNDER THE**
6 **COMPANY’S PROPOSAL, WILL IT KEEP \$25 MILLION?**

7 A. No. As detailed above, that is not the case. Thus, a Commission finding in favor of Spire
8 will not mean that the Company will “keep” \$25 million.

9 **IV. CONCLUSION**

10 **Q. ONCE AGAIN, COULD YOU PLEASE SUMMARIZE THE PRIMARY ISSUE IN**
11 **DISPUTE IN THIS CASE?**

12 A. Yes. The primary issue in dispute is the correct CGS to apply to the OSS transaction in
13 question. Staff applies a CGS equal to the gas sale price in an effort to eliminate any profit
14 on the transaction, which is not allowed in any part of the OSS tariff provision, while Spire
15 attributes the lower and supported CGS of the replacement gas in accordance with its
16 tariffs. Spire’s actions, pursuant to its Commission-approved tariffs, resulted in a profit of
17 \$100 million, to be shared between customers and the Company in a 75% and 25% split,
18 respectively.

19 **Q. WHAT WAS STAFF’S ADJUSTMENT ON THIS ISSUE?**

20 A. As it does not believe any profit was made on this sale, Staff negatively adjusts the
21 Company’s ACA balances to credit customers the \$25 million benefit the Company
22 recognized under the OSS transaction tariffs.

23 **Q. WHAT IMPACT WOULD ACCEPTING STAFF’S ADJUSTMENT HAVE?**

1 A It would result in a very large disallowance, effectively suggesting imprudence by Spire.
2 Inclusive of this transaction, over the past 10 years, OSS transactions have resulted in
3 nearly \$250 million of customer savings. (See **Schedule DAY-S-2**). A failure to both
4 recognize the benefits to customers *and* Spire and treat the OSS Transaction as described
5 by Spire's incentive tariff would require Spire to give serious consideration to continuing
6 these transactions.

7 **Q. WHAT CONCLUSIONS DO YOU BELIEVE THE COMMISSION SHOULD**
8 **REACH IN THIS CASE?**

9 A. The Commission should reject Staff's adjustment to the Off-System Sale and issue an order
10 directing Spire Missouri to establish the ACA account balances as proposed by the
11 Company in its revised tariff sheets.

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

13 A. Yes.