

and approved by the Commission in not one, but two, separate applications: the application for a renewable gas program and the application for a recovery mechanism.

2. Proposed rule **20 CSR 4240-40.100 (2) (D)** requires, in an Application for Approval of a Renewable Gas Program (an “Application”), “An explanation of how the utility will match generation with customer usage, be it on a retrospective or percentage basis...” At this time, Spire Missouri requests clarification on the objective of this provision to ensure the Company understands how to best comply with this requirement.

3. Proposed rule **20 CSR 4240-40.100 (2) (I)** states that a Renewable Natural Gas Program should include, “All prospective sales of Renewable Identification Numbers for RNG.” Spire proposes modifying this language to be, “All prospective sales of RNG Attributes,” to accommodate other forms of environmental attributes derived from RNG production such as Renewable Thermal Certificates (“RTCs”), verified carbon offsets (“VCOs”), etc. RNG Attributes is already defined in **20 CSR 4240-40.100 (1) (E)**.

4. Proposed rule **20 CSR 4240-40.100 (2) (K) (11)** requires in an Application’s cost-benefit analysis, the “Estimated cost of procuring the same volume of natural gas from a pipeline, including estimates of the price per Million British Thermal Units (MMBtu) by month for the life of the proposed RNG project.” Spire Missouri has the following comments on this proposed provision:

a. First, considerations of customer demand, economic and environmental benefits, and enhanced system resiliency and reliability will all play a role in determining the prudence of projects brought forth under Section 386.895, RSMo. (the “RNG Statute”). These factors focus on benefits other than the lowest cost of the fuel source. For decades, the Commission has deemed prudent generation sources for Missouri electric utilities that

employ multiple sources of fuels to generate electricity with each having a different cost profile and some being more costly than others. Even within the procurement of natural gas by a gas utility, there is a variety of pricing experienced throughout a given year. When performing a cost-benefit analysis of RNG projects brought before it, the Commission should consider factors other than lowest cost.

b. Second, many of the RNG projects being developed are long duration projects that may last up to 20 years or more, and while it may be possible to forecast the cost of natural gas over such a long time horizon, using historical cost measures (i.e. average historical cost for a certain number of years) or shorter forecasted periods, or both will allow for reasonable estimates to be considered in cost-benefit analyses.

5. Proposed rules **20 CSR 4240-40.100 (4) (A) 3-5** focus on capital structure and cost of capital utilized in proposing an RNG rate adjustment mechanism (“RNGRAM”). Section 386.895.6, RSMo. states, “When a gas corporation makes a qualified investment in the production of renewable natural gas, the costs associated with such qualified investment shall include the cost of capital established by the commission in the gas corporation's most recent general rate case.” First, Spire Missouri requests clarification on whether the proposed rule would allow gas utilities to bring forth a different cost of capital in a RNGRAM other than those established in a utility’s most recent general rate case. Second, if the intention is to utilize the cost of capital in the most recent rate case, Spire Missouri would propose adding language stating as such: “...or the cost of capital established by the commission in the gas corporation's most recent general rate case.”

6. Proposed rule **20 CSR 4240-40.100 (4) (A) 8** would require the “applicable customer class billing methodology,” in supporting a proposed RNGRAM. The Company requests clarification on whether the Commission has an expectation that certain customer classes be

included or excluded from an RNGRAM, or whether the language would require applicants to identify if a methodology other than that used in the gas utility's last rate case was utilized.

7. Proposed rule **20 CSR 4240-40.100 (4) (C)** pertains to prudence review and potential disallowances, on which the Company provides the following comments:

a. Similar to the Infrastructure System Replacement Surcharge ("ISRS") rules laid out in 20 CSR 4240-3.265 (15), the proposed rule would allow for review of ratemaking treatment of RNG program costs during subsequent general rate case proceedings or prudence reviews. Spire Missouri notes that unlike ISRS costs, there may be more operating components and related expenses with production related RNG infrastructure assets. Gas utilities, when making approved investments in RNG, may also be locked into costs due to contractual or operational reasons. Under **20 CSR 4240-40.100 (2)**, gas utilities are to provide sufficient evidence of prudence when the RNG Program is submitted and also during the filing for an implementation or change in RNGRAM under **20 CSR 4240-40.100 (4)**. The Company recognizes the Commission's authority to review all costs in rate case proceedings, however, Company requests that proposed disallowances in rate case proceedings or prudence reviews of RNG investments be rigorously analyzed by the Commission, especially when evidence of prudence may have already been provided in not one, but two prior proceedings.

b. Proposed rule **20 CSR 4240-40.100 (4) (C)** states "The gas utility shall offset its RNGRAM in the future as necessary to recognize and account for any such [disallowed] costs," and "The RNGRAM offset will be designed to reconcile such disallowed costs or benefits within the six- (6-) month period immediately subsequent to any commission order regarding such disallowance." The Company believes that these two

phrases conflict and requests clarification on how the Commission intends this language to operate. The first phrase would operate similar to ISRS cases. After a disallowance in a general rate case, the Company would factor such disallowance into its next RNGRAM request, as is done in ISRS cases. The second phrase would diverge from this process, as language would require the offset to reconcile costs within six months of the disallowance order, likely the final order in the general rate case. It is also unclear of the process for setting the RNGRAM rate incorporating this offset. If it were set through an RNGRAM proceeding, this presumably would require an immediate filing of an RNGRAM case after the rate case. However, the proposed six-month time frame also does not appear to account for the time that it would take for the Company to put together this application, the review of Staff of the Commission and any other stakeholders, and then Commission approval. Moreover, it is unclear if this RNGRAM filing would be considered as the Company's sole RNGRAM filing for the given calendar year. If so, then recovery of prudent investments or expenses related to RNG may be delayed. The Company proposes limiting the language to, "The gas utility shall offset its RNGRAM in the future as necessary to recognize and account for any such [disallowed] costs," which is similar in nature to the related ISRS language found in 20 CSR 4240-3.265 (15), and provides a clear and established process for how disallowed costs may be returned back to customers.

c. Proposed rule **20 CSR 4240-40.100 (4) (C)** also states that any "offset amount shall include a calculation of interest at the gas utility's short-term borrowing rate as calculated in paragraph (4)(D)1." Proposed rule **20 CSR 4240-40.100 (4) (D) (1)** defines the short-term rate as, "the weighted average interest rate paid by the gas utility on short-term debt for that calendar month." Spire Missouri believes a definitive rate such as

prime rate minus 2 at the beginning of the month should replace the existing rate definition used. This rate is used by the Company for other regulatory balances, such as in the Purchase Gas Adjustment. It is also an easy, understandable rate that is readily available, which would limit any contention over this value.

8. Proposed rule **20 CSR 4240-40.100 (4) (G)** states, “The cost of RNG or hydrogen gas shall not flow through the Purchased Gas Adjustment Clause unless the cost for the RNG or hydrogen gas, including RNG infrastructure, can be obtained on a **comparable basis** as natural gas purchased at the city gate of the utility. Amounts collected under the RNGRAM will not be collected through the Purchased Gas Adjustment Clause.” The Company requests clarification on the meaning of “comparable basis.”

9. Proposed rule **20 CSR 4240-40.100 (5) (B)** states, “All revenues are passed through to customers as provided for in section (4) of this rule or through a general rate proceeding.” The Company requests clarification on the meaning of “all revenue,” and suggests that additional language be added in consideration of how RNG attributes are handled. When RNG environmental attributes are certified and sold, it is common for there to be a broker fee taken as a percentage of gross revenue. The net revenue would then be available for other uses. Additionally, there are situations in which agreements may not allow for “all revenue” to flow back to customers. A concrete example is the Company’s partnership with Kansas City (“KC”) Water at its Blue River operation, where Spire Missouri is to be the developer and operator of a gas upgrade system related to RNG. The Company will be receiving the revenue from attributes generated from the project but will share with KC Water a percentage of the proceeds from attribute sales revenue after broker fees. Using clarifying language such as net revenues or revenues remaining after required costs, fees, sharing with other parties, etc. would be beneficial and more closely resemble actual

economic arrangements. Additionally, in the event that the Company optimizes the purchase and sale of RNG attributes associated with an RNG Program, the Company proposes that this transaction flow through the Company's existing Purchased Gas Cost Adjustment Gas Cost Incentive Mechanism similar to other off-system sale transactions.

10. Finally, the Company would note that absent from the rulemaking was the length of time from when a filing is made to when a Commission order is issued. ISRS cases have a statutory 180-day time frame, set in section 393.1015.2(3) RSMo. While the RNG statute does not contain similar language, such language would provide certainty for RNG developers and utilities making investments in RNG infrastructure.

WHEREFORE, Spire Missouri respectfully requests that the Commission accept these initial comments.

Respectfully submitted,

/s/ J. Antonio Arias

Matthew Aplington, MoBar #58565
General Counsel
Spire Missouri Inc.
700 Market Street, 6th Floor
St. Louis, MO 63101
(314) 342-0785 (Office)
Email: matt.aplington@spireenergy.com

Sreenivasa Rao Dandamudi, MoBar #50734
Director and Associate General Counsel - Regulatory
Spire Missouri Inc.
700 Market Street, 6th Floor
St. Louis, MO 63101
(314) 342-0702 (Office)
Email: sreenu.dandamudi@spireenergy.com

J. Antonio Arias, MoBar #74475
Senior Counsel, Regulatory
Spire Missouri Inc.
700 Market Street, 6th Floor
St. Louis, MO 63101
(314) 342-0655 (Office)
Email: antonio.arias@spireenergy.com

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent either by mail or electronic mail to all parties of record on this 17th day of July, 2024.

/s/ J. Antonio Arias

J. Antonio Arias