

Exhibit No.:	_____
Issues:	Background Overview of Relief Sought Rate Relief Sought Scott A. Weitzel
Witness:	Direct Testimony
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Sponsoring Party:	GR-2025-0107
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SPIRE MISSOURI INC.

CASE NO. GR-2025-0107

DIRECT TESTIMONY

OF

SCOTT A. WEITZEL

****Denotes Confidential Information****

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DIRECT TESTIMONY OF SCOTT A. WEITZEL

I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Scott A. Weitzel, and my business address is 700 Market Street, St. Louis, Missouri 63101.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am the Vice President of Regulatory and Governmental Affairs for Spire Missouri Inc. (“Spire Missouri” or the “Company”).

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

A. I have been in regulatory affairs since I joined Spire Missouri in August 2016. I was promoted to my current position in November 2021. In this role, I am responsible for regulatory affairs, legislation, government affairs, strategy, policy, external affairs, advocacy, energy efficiency, and rates functions for Spire Missouri. I have held previous roles for Spire Missouri as Managing Director of Regulatory and Legislative Affairs, Director of Rates and Regulatory Affairs, and I also served as the Manager of Tariffs and Rate Administration.

Q. PLEASE BRIEFLY DESCRIBE YOUR PREVIOUS PROFESSIONAL EXPERIENCE PRIOR TO JOINING SPIRE MISSOURI.

A. Upon graduation from college, I was employed by CenterPoint Energy as a Gas Marketing Analyst where I handled billing, nominations, hedge settlement, and account management for commercial, industrial, and municipal gas customers. I then spent nine years working for Ameren Missouri in various roles relating to its gas supply operations. This work

1 included scheduling gas, peak day planning, capacity and storage planning, gas supply
2 procurement, capacity releases, hedging, gas accounting, responding to data requests,
3 purchased gas adjustment (“PGA”) analysis, and review of competitors’ tariffs and cases.
4 I then went to work for Ameren Illinois in the area of gas business development where I
5 focused on extending natural gas to communities that were not currently supplied with
6 natural gas and acquiring gas utilities and municipal gas systems.

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

8 A. I graduated from the University of Missouri-Columbia in 2003 with a Bachelor of Science
9 in Human Environmental Sciences, with a major in Consumer Affairs and a minor in
10 Leadership and Public Service. I received my Masters of Business Administration from
11 Webster University in 2007.

12 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MISSOURI
13 PUBLIC SERVICE COMMISSION (“COMMISSION” OR “PSC”)?**

14 A. Yes, I have testified in connection with File Nos. GR-2017-0215, GR-2017-0216, GO-
15 2019-0058, GO-2019-0059, GO-2022-0171 GU-2019-0011, GU-2020-0376, GR-2021-
16 0108, GC-2021-0315, GC-2021-0316, GC-2021-0353, and GR-2022-0179.

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

18 A. The purpose of my testimony is to provide a high-level overview of the Company and the
19 need for rate relief in this proceeding. I describe Spire Missouri’s filing in this rate case
20 proceeding, summarize the relief requested, customer impacts, and steps the Company has
21 been taking to mitigate the impact of the necessary rate increase on our customers.

22 **II. COMPANY BACKGROUND**

23 **Q. PLEASE DESCRIBE SPIRE MISSOURI.**

1 A. Spire Missouri is an investor-owned gas utility providing retail gas service to large portions
2 of Missouri. Spire Missouri serves approximately 1,200,000 customers in and around St.
3 Louis, Kansas City, Joplin, Poplar Bluff, St. Joseph, and other communities in Missouri.
4 Spire Missouri supports safety, customers, and investment with approximately 2,300
5 Missouri employees. The combined Company is the largest natural gas provider in the
6 State of Missouri by customer count. Spire Missouri is a subsidiary of Spire Inc., a
7 Missouri-based energy holding company with over 3,500 employees.

8 **Q. PLEASE DESCRIBE THE ROLE SPIRE MISSOURI PLAYS IN THE**
9 **COMMUNITIES IT SERVES.**

10 A. In addition to providing a critical utility service to its customers, Spire Missouri is active
11 in the community. In 2024, Spire Missouri continued to support communities through over
12 140 organizations and initiatives across Missouri, donating nearly \$2 million and more than
13 8,800 hours of community service. This commitment has earned Spire Missouri national
14 recognition as one of “America’s Most Responsible Companies” for five straight years. In
15 order to further support the communities it services, the Company also is focused on
16 helping businesses in the region grow. We understand that businesses look to natural gas
17 utilities, like Spire Missouri, for access to affordable, reliable energy, and we are dedicated
18 to helping attract new business to grow Missouri. In 2024, Spire Missouri’s economic
19 development efforts to promote a diverse range of industries helped bring more than 4,000
20 jobs and more than \$3.7 billion in investment across Missouri in fields such as aerospace,
21 consumer goods, data centers, food production, and research and development.

22 **Q. PLEASE DESCRIBE SPIRE MISSOURI’S COMMITMENT TO THE**
23 **ENVIRONMENT.**

1 A. Spire Missouri actively listens to its customers. One comment we consistently receive
2 from customers is the need to focus on the environment. That is why Spire Missouri
3 obtained Commission approval of a program that offers customers a way to participate in
4 managing their carbon footprint. The Company already has made great strides. From 2005
5 to 2023, Spire Missouri reduced methane emissions from our gas utilities by 51% thanks
6 to infrastructure upgrades and leak repair programs—and the Company is on target to
7 reduce emissions by 73% by 2035.

8 **Q. WHAT OTHER INITIATIVES HAS SPIRE MISSOURI LAUNCHED TO**
9 **ENHANCE CUSTOMER SERVICE?**

10 A. Spire Missouri has expanded customer options to pay in person by adding Vanilla Direct
11 (with kiosks in Walgreens, Dollar Tree, Dollar General), and it has expanded the Payment
12 Partner Program to provide more assistance to customers with a higher energy burden.

13 **III. NEED FOR RATE CASE**

14 **Q. WHEN WERE SPIRE MISSOURI’S CURRENT RATES AND CHARGES**
15 **IMPLEMENTED?**

16 A. Spire Missouri’s current rates and charges were implemented following the Commission’s
17 Order on December 1, 2022 approving a settlement agreement reached in the Company’s
18 last rate case among Spire Missouri, the Office of the Public Counsel, Staff of the
19 Commission (“Staff”), Consumers Council of Missouri, Midwest Energy Consumers
20 Group, Missouri Industrial Energy Consumers, Symmetry Energy Solutions, LLC,
21 Constellation NewEnergy-Gas Division, LLC, Clearwater Enterprises, L.L.C. and
22 WoodRiver Energy, LLC. These rates were effective December 26, 2022.

1 **Q. WHEN DID SPIRE MISSOURI FILE THE NOTICE OF INTENDED RATE CASE**
2 **FILING FOR THIS PROCEEDING?**

3 A. Spire Missouri filed its Notice of Intended Rate Case Filing (“Notice”) on September 20,
4 2024.

5 **Q. ARE THERE ANY OTHER FILINGS IN THE RATE CASE DOCKET BESIDES**
6 **THE NOTICE FILED BY SPIRE MISSOURI?**

7 A. Yes. The Commission filed an extra record communication where a former Spire Missouri
8 employee made claims about Spire Missouri records management.

9 **Q. DOES THE COMPANY HAVE A RESPONSE TO THE EXTRA RECORD**
10 **COMMUNICATION?**

11 A. Yes. Spire Missouri initiated a prompt and thorough investigation of the claims, including
12 conducting interviews of the former employee and numerous identified witnesses. The
13 investigation also included a review of an audio recording of the December 12, 2023,
14 meeting provided by the former employee and a transcript of this recording. The
15 investigation did not substantiate the allegations. To the contrary, Spire Missouri found no
16 violation of Company policies. Spire Missouri has retained the audio recording at issue, a
17 transcript of the same, the internal investigation report, and witness interview notes, all in
18 accordance with its Records and Information Management Policy. No Company records
19 were destroyed or concealed, and the document referred to by the former employee is
20 preserved in the Company’s files.

21 Spire Missouri takes pride in being transparent and forthcoming with its regulators and
22 other stakeholders and we look forward to resolving this matter through the investigatory
23 docket. The Commission subsequently opened an investigation for fact finding and

1 information gathering in GO-2025-0131. We look forward to Staff's review of these
2 claims and final report to the Commission.

3 **Q. WHY HAS SPIRE MISSOURI FILED THIS CASE NOW?**

4 A. The filing of this rate case is necessary to ensure that Spire Missouri continues to be able
5 to attract and invest the capital our system needs to allow us to provide safe and reliable
6 gas service. The main drivers for this rate increase are recovery of capital investments in
7 system improvements that are in-service, or will be in-service before the completion of the
8 case, updating the rate of return comparable to current market conditions, and ensuring
9 Spire Missouri has the opportunity to recover its authorized revenue requirement utilizing
10 mechanisms permitted by state statute. Resolving these items will mitigate against the risk
11 of further rating agency downgrades, ensuring the long-term health of the Company.

12 **Q. PLEASE DISCUSS SPIRE MISSOURI'S CAPITAL INVESTMENTS.**

13 A. As we will demonstrate, the majority of the needed relief is the result of the significant
14 capital Spire Missouri has deployed since the last rate case to support our customers and
15 communities. The Company has invested over \$1 billion in new capital to meet the
16 growing expectations and needs of our customers, improve our systems and operations,
17 reduce maintenance costs, and mitigate our environmental impact. This includes
18 approximately 680 miles of new main and nearly 500,000 new advanced meters.

19 **Q. WHAT IS THE OVERALL REVENUE INCREASE SPIRE MISSOURI IS**
20 **PROPOSING IN THIS PROCEEDING?**

21 A. Spire Missouri is proposing an increase in revenues of \$289.5 million.

1 **Q. WHAT IS THE RELATIONSHIP BETWEEN INFRASTRUCTURE SYSTEM**
2 **REPLACEMENT SURCHARGE (“ISRS”) AND THE LEVEL OF RATE RELIEF**
3 **SPIRE MISSOURI IS SEEKING IN THIS CASE?**

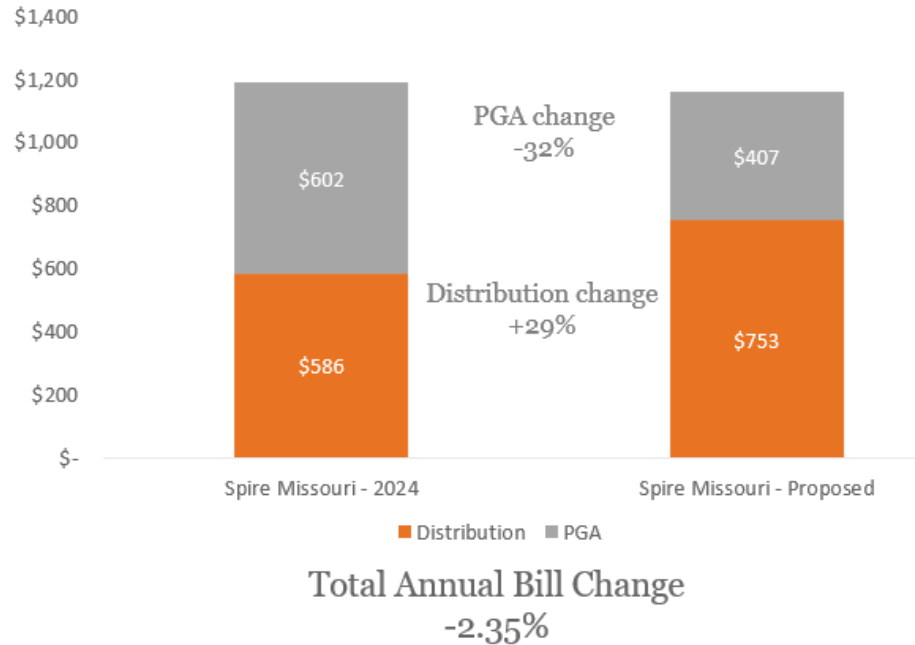
4 A. A large part of the rate relief simply reflects a rebasing of the ISRS charges that customers
5 are already paying. Of the approximately \$290 million requested cost of service increase,
6 approximately \$53.6 million is already included in current ISRS rates. As such, our net
7 increase request is approximately \$236 million. This translates to approximately \$17.08
8 per month, or a 15.79% increase for the average residential customer.

9 **Q. ARE THERE ANY FACTORS THAT FURTHER REDUCE THE IMPACT OF**
10 **THE RATE INCREASE ON THE AVERAGE CUSTOMER?**

11 A. Yes. The Company’s recent PGA decrease more than offsets this incremental base rate
12 increase. Even with this rate case increase, the future rates of Spire Missouri customers in
13 fiscal year (“FY”) 2026 will still be lower than they were in FY 2024. While Spire
14 Missouri has been very successful in managing its operating costs to allow for this extended
15 period of rate stability, the capital deployed since the Company’s last rate case necessitates
16 an overall base rate increase in this case. The incremental increase proposed, if granted,
17 would still result in our average customer’s overall bill being lower in the future when rates
18 go into effect compared to FY 2024 -- despite Spire Missouri’s having upgraded hundreds
19 of miles of pipelines and deployed new advanced meters. A chart comparing Spire
20 Missouri’s current rates in FY 2024 with the proposed rates is set forth below. Assuming
21 current market conditions.

22

Customer rate impact – total annual bill



1

2

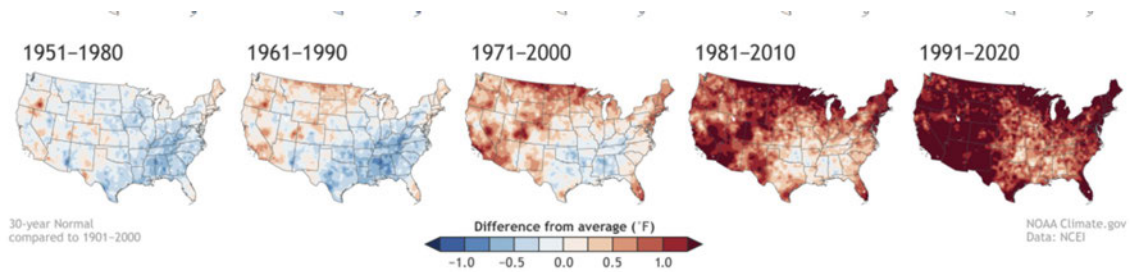
IV. OVERVIEW OF CASE

3 **Q. PLEASE DESCRIBE THE PRIMARY COMPONENTS OF THIS RATE CASE**
4 **FILING.**

5 A. This filing is primarily designed to allow Spire Missouri to recover its investment in
6 infrastructure and technology, update the rate of return, address weather trends, and to shift
7 to a mechanism allowed by statute, which will give Spire Missouri an opportunity to earn
8 a return in the face of reduced usage caused by weather conditions and conservation. In
9 addition, after several rate cases, Spire Missouri is proposing to make the final move to
10 bring operating divisions together. The revenue requirement model prepared by Company
11 Witness Eric Bouselli reflects an approximately \$289.5 million overall revenue deficiency.

1 A. As discussed further by Company Witness Trisha E. Lavin, the United States has
2 experienced a significant warming trend resulting in decreased heating degree days every
3 year. Rates are historically set on “normal” expected weather; however, the actual weather
4 we are experiencing is not “normal.” The National Oceanic and Atmospheric
5 Administration (“NOAA”) points out the warming weather trend.

6



8

9 **Q. DO YOU THINK THE NOAA 30-YEAR NORMAL REFLECTS “NORMAL”**
10 **WEATHER?**

11 A. I do not. You can determine that the weather is abnormal by simply looking at the annual
12 heating degree days the past 5 or 10 years, without having to run regressions or using the
13 NOAA methodology. The weather has not been “normal” once in the past 5 years, and has
14 been “normal” only a couple of times in the past decade. In my opinion, weather that
15 occurs 0% of the time in the past 5 years and 25% of the time in the past decade is not
16 “normal,” and is certainly not indicative of the current conditions under which Spire
17 Missouri is operating or collecting revenue.

18 **Q. WHY IS GETTING THE WEATHER RIGHT IMPORTANT FOR A UTILITY**
19 **AND ITS CUSTOMERS?**

1 A. When a utility’s revenue requirement is set using weather data that is not reflective of actual
2 weather trends, then the utility will under-collect or over-collect its approved revenue
3 requirement. It is certainly not appropriate for the utility to over-collect, but an under-
4 collection risks harm to the utility, and therefore its customers as well.

5 **Q. WHAT IMPACT FROM WEATHER IS SPIRE MISSOURI EXPERIENCING**
6 **WHEN TRYING TO COLLECT ITS APPROVED REVENUE REQUIREMENT?**

7 A. We are seeing a continued warming trend that is eroding Spire Missouri’s ability to recover
8 its allowed revenue, which in turn makes it more difficult to maintain a positive credit
9 rating that allows the Company to attract and invest capital in our system. For instance, it
10 was 11% warmer in FY 2023 than projected in Spire Missouri’s last rate case and it was
11 20% warmer in FY 2024 than projected. This discrepancy has serious consequences on
12 the cash flow of the Company. In FY 2024, Spire Missouri was about \$6.6M deficient in
13 recovering the revenues that were designed to be collected pursuant to its residential
14 volumetric charge.

15 **Q. DOES SPIRE MISSOURI HAVE A WEATHER NORMALIZATION**
16 **ADJUSTMENT RIDER CURRENTLY IN PLACE TO PROTECT THE**
17 **CUSTOMERS OR THE COMPANY IF IT IS WARMER OR COLDER THAN**
18 **NORMAL?**

19 A. Yes. Spire Missouri has a Weather Normalization Adjustment Rider (“WNAR”), which
20 generally is intended to recover or give back revenue based on the weather.

21 **Q. DOES THE WNAR OPERATE AS INTENDED?**

22 A. To a degree. As stated above, however, even with the WNAR Spire Missouri is still not
23 able to recover its approved revenue requirement. The Company was still \$6.6M short of

1 recovering its approved revenues from the residential volumetric charge in FY24, even
2 after taking into account the mitigating effects of the WNAR. As a result, Spire Missouri
3 is proposing a simpler and more straightforward mechanism that protects the Company's
4 financial capacity against variations in weather and conservation, to the benefit of both
5 customers and the Company. Spire Missouri Witness David A. Yonce describes this
6 mechanism in greater detail and sponsors the proposed tariff sheet.

7 **Q. DOES THE PSC OR STATE LAW ALLOW FOR RECOVERY OF**
8 **CONSERVATION AND WEATHER?**

9 A. Yes. Section 386.266(3), RSMo, permits a utility to submit tariffs to account for the impact
10 on utility revenues of increases or decreases in residential and commercial customer usage
11 due to variations in weather, conservation, or both. That statute provides:

12 Subject to the requirements of this section, any gas or electrical corporation
13 may make an application to the commission to approve rate schedules
14 authorizing periodic rate adjustments outside of general rate proceedings to
15 adjust rates of customers in eligible customer classes to account for the
16 impact on utility revenues of increases or decreases in residential and
17 commercial customer usage due to variations in either weather,
18 conservation, or both.

19
20 The current WNAR only addresses weather variations. Consistent with the foregoing
21 statute, in this proceeding, Spire Missouri is proposing to move away from a mechanism
22 that focuses exclusively on weather to a mechanism that addresses increases or decreases
23 in usage due to variations in "both" weather and conservation.

24 **Q. HAS STAFF PREVIOUSLY SUPPORTED A MECHANISM THAT ACCOUNTS**
25 **FOR BOTH WEATHER AND CONSERVATION?**

26 A. Yes. In Staff's direct class cost of service testimony in case GR-2021-0108, Staff proposed
27 a mechanism that would account for weather and conservation and anchor back to billing

1 determinants set in the case. According to Staff's cost of service "This design insulates the
2 company from sales fluctuations associated with deviations in weather-related sales from
3 what is normal, whether driven by the actual weather or by conservation efforts related to
4 weather" (Case No. GR-2021-0108 Staff CCOS Report, p.39, lines 5-8).

5 **Q. HAVE RATING AGENCIES PUBLISHED ANYTHING SPECIFIC TO SPIRE**
6 **MISSOURI WHICH WOULD ADD TO THE IMPORTANCE OF THE RATE**
7 **RELIEF REQUESTED IN THIS PROCEEDING?**

8 A. Yes. Rating agencies start to notice when utilities struggle to recover their full revenue
9 requirements. On June 3, 2024, S&P downgraded Spire Missouri from A- to BBB+ noting
10 that the Company's ** [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]**

14 **Q. DID S&P GIVE SPIRE MISSOURI ANY INDICATION OF WHAT MIGHT HELP**
15 **IMPROVE THE COMPANY'S CREDIT RATINGS?**

16 A. Yes. S&P subsequently filed a report on September 26, 2024 titled "Decoupling Spire
17 Missouri's Revenue From Weather Would be Highly Supportive of Credit Quality." In
18 that Report, S&P stated: ** [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]**

1 **Q. ARE CREDIT RATINGS IMPORTANT FOR REGULATED UTILITIES, LIKE**
2 **SPIRE MISSOURI, AND THEIR CUSTOMERS?**

3 A. Absolutely. A utility’s credit ratings have a significant impact on its ability to raise capital
4 on a timely basis and upon reasonable terms. As economist Charles F. Phillips states in
5 his treatise on utility regulation:

6 Bond ratings are important for at least four reasons: (1) they are used by
7 investors in determining the quality of debt investment; (2) they are used in
8 determining the breadth of the market, since some large institutional
9 investors are prohibited from investing in the lower grades; (3) they
10 determine, in part, the cost of new debt, since both the interest charges on
11 new debt and the degree of difficulty in marketing new issues tend to rise
12 as the rating decreases; and (4) they have an indirect bearing on the status
13 of a utility’s stock and on its acceptance in the market.¹

14 A utility with strong credit ratings is not only able to access the capital markets on a timely
15 basis at reasonable rates, but also to share the benefit from those attractive interest rate
16 levels with customers as cost of capital is factored into utility rates. Conversely, but of
17 equal importance, the lower a utility’s credit rating, the more the utility must pay to raise
18 funds from debt and equity investors, and those higher capital costs are also factored into
19 the rates that consumers must pay. Gas utilities, like Spire Missouri, are among the most
20 capital-intensive industries – so credit ratings are even more important.

21 For these reasons, rating agencies look for the consistent application of sound
22 economic and regulatory principles by utility regulators. If a regulatory body were to
23 encourage a utility to make investments based upon an expectation of the opportunity to
24 earn a reasonable return, and then did not apply regulatory principles in a manner that

¹ Phillips, Charles F., Jr., *The Regulation of Public Utilities*, 250 (3rd Ed. 1993) (Emphasis added). *See also*, *Public Utilities Reports Guide: “Finance,”* Public Utilities Reports, Inc., 6-7 (2004) (“Generally, the higher the rating of the bond, the better the access to capital markets and the lower the interest to be paid.”).

1 provides the utility with a realistic opportunity to earn that return, investor interest in
2 providing funds to the utility would decline, debt ratings would likely suffer, and the
3 utility's cost of capital would increase, all to the detriment of ratepayers.

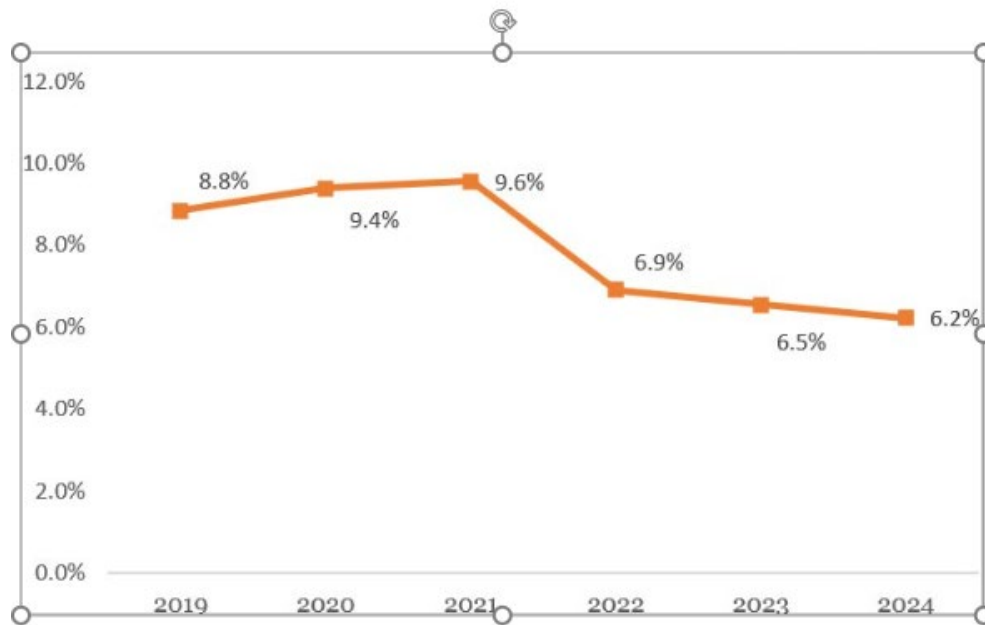
4 **Q. IN YOUR OPINION, IS IT IMPORTANT THAT SPIRE MISSOURI'S CREDIT**
5 **RATINGS NOT FALL FURTHER?**

6 A. Yes. If the credit rating for Spire Missouri, a Missouri headquartered business, were to fall
7 further than it already has, it would be detrimental to the Company and customers for the
8 reasons I described above.

9 **Q. UNDER THE CURRENT CIRCUMSTANCES, IS SPIRE MISSOURI EARNING A**
10 **SUSTAINABLE RETURN ON EQUITY ("ROE")?**

11 A. Not at all. Nationally, authorized utility market ROE is trending in the high 9% range. The
12 earned ROE of Spire Missouri, on the other hand, is trending in the low 6% range. As
13 shown in the table below, even in the aftermath of the rate increase approved by the
14 Commission in 2021, Spire Missouri's earned ROE quickly fell well below the authorized
15 ROE. This is one of the reasons Spire Missouri was downgraded.

Actual earned ROEs – Missouri



1

2

3 **Q. WHY IS SPIRE MISSOURI EARNING SUCH A LOW ROE?**

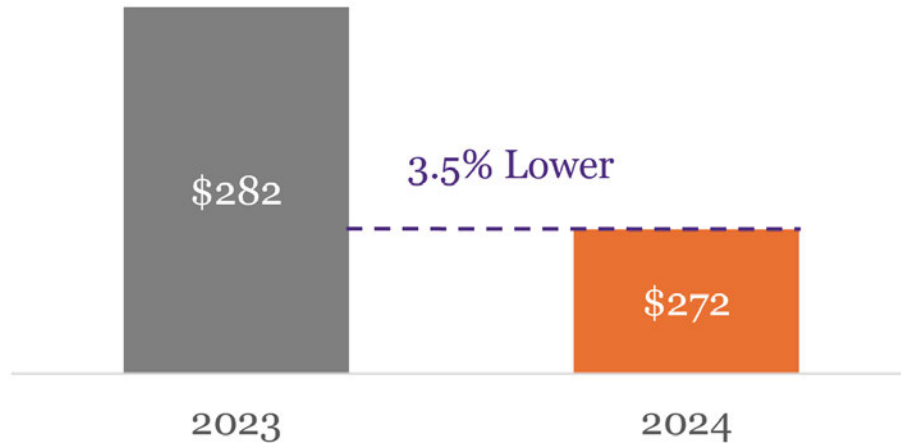
4 A. Warmer weather patterns and conservation reduce usage. As a result of that reduced usage,
5 we are not recovering our revenue requirement from the volumetric rates allowed in the
6 last rate case. Moreover, interest rates have shot up over the years further eroding earnings,
7 which, coupled with higher operating costs, especially line locates, have significantly eaten
8 into the Company's ability to earn a fair or market return. Spire Missouri has deployed
9 hundreds of millions of dollars of capital that the Company is earning no return on, which
10 the Company hopes to address in this case.

11 **Q. DID MISMANAGEMENT OF SPENDING AND EXPENSES CAUSE SPIRE**
12 **MISSOURI TO EARN A LOWER ROE?**

13 A. No. While significant increases in expenses could result in a lower ROE for any utility,
14 this is not the case for Spire Missouri. To the contrary, Spire Missouri implemented a cost

1 reduction review which resulted in a reduction in force and early retirements. This cost
2 reduction review will save tens of millions of dollars and have helped keep O&M flat in
3 this case, as shown in the chart below.

Run Rate Spire Missouri O&M



4
5 *Run-rate O&M excludes bad debt expense of \$16.6M and \$23.0M in FY23 and FY24, respectively, and excludes the impact of a*
6 *pension reclass of +\$2.8M and \$(4.7)M in FY23 and FY24, respectively. FY24 also excludes \$5.0M charge for the long-term*
7 *customer affordability initiative.*
8

9 **Q. WHAT IS THE OVERALL REVENUE INCREASE SPIRE MISSOURI IS**
10 **PROPOSING IN THIS PROCEEDING?**

11 A. Spire Missouri is proposing an increase in revenues of \$289.5 million.

12 **Q. IN YOUR OPINION, ARE THE RATES BEING PROPOSED IN THIS**
13 **PROCEEDING REASONABLE?**

14 A. Yes, especially with the decrease in the PGA. The proposed rate increase is necessary in
15 order for Spire Missouri to continue to provide safe and reliable gas service, as it will
16 ensure that the Company will continue to have access to capital in the debt and equity
17 markets on reasonable terms.

1 **V. CUSTOMER AFFORDABILITY**

2 **Q. WHAT IS THE COMPANY DOING TO MITIGATE INCREASE COSTS TO**
3 **CUSTOMERS NOTWITHSTANDING THE COMPETING NEED TO MAKE**
4 **NECESSARY CAPITAL INVESTMENTS IN THE SYSTEM?**

5 A. The Company is sensitive to the impacts of any rate increase on our customers.
6 Accordingly, the Company has taken four major steps over the years to mitigate cost
7 increases to our customers:

- 8 • We have deferred Winter Storm Uri costs,
- 9 • We did not file a rate case when we saw interest rates more than double to operate
10 parts of our business,
- 11 • We implemented a customer affordability program that has reduced Spire Missouri
12 departments and headcount, and
- 13 • We have received special accounting treatment to apply profits from hedges to
14 reduce long term interest rates that get passed onto customers.

15 **Q. WHAT IS WINTER STORM URI AND HOW DOES THE DEFERRAL YOU**
16 **REFERENCE MITIGATE COSTS FOR CUSTOMERS?**

17 A. In February 2021, gas prices spiked to hundreds of dollars per MMBtu, a unit of gas
18 measure, when they were normally two to five dollars. The Company incurred hundreds
19 of millions of dollars in gas costs to ensure our customers received service during the severe
20 winter storm. To help shield our customers from a significant bill increase, the Company
21 filed tariffs in Case No. GT-2022-0084 to spread the bill impact of the high gas costs over
22 three years.

1 **Q. IS THERE AN UPDATE TO THE DEFERRAL NOW THAT THE 3-YEAR**
2 **PERIOD IS OVER?**

3 A. Yes. The balance from Winter Storm Uri has been collected and this is one of the main
4 reasons for the November 2024 PGA decrease. As stated before, with this PGA decrease,
5 and even accounting for the proposed rate case increase in this case, customer bills will
6 still be lower in 2026 than they were in 2024.

7 **Q. WHAT HAS HAPPENED TO INTEREST RATES SINCE SPIRE MISSOURI'S**
8 **LAST CASE, CASE NO. GR-2022-0179?**

9 A. Spire Missouri's last rate review took place during most of 2022. During this time, short
10 term interest rates were under 1%, and in in fact, closer to 0%. Now, short-term interest
11 rates are over 4% and close to 5%. Long term rates (30-year Treasury) started 2022 around
12 2% and currently are in the mid 4% range. However, these higher interest rates are not
13 reflected in our cost of service.

14 **Q. HOW HAVE CUSTOMERS BENEFITED BY SPIRE MISSOURI NOT FILING A**
15 **RATE CASE SINCE 2022 TO ACCOUNT FOR THESE SUBSTANTIAL**
16 **INTEREST RATE INCREASES?**

17 A. Since the higher interest rates are not included in Spire Missouri's current cost of service,
18 the Company's shareholders are shouldering the costs from those higher rates. This is one
19 of the reasons for the ROE erosion shown in the graph earlier in my testimony. Not
20 recovering the costs of actual market interest rates has eaten into the Company's earnings
21 by tens of millions of dollars. That means customers are receiving the benefit of not being
22 charged higher rates that are reflective of the actual interest rate market, keeping their rates

1 lower than actual cost. In effect, customers for years have been shielded from these higher
2 rates at the expense of the Company's shareholders.

3 **Q. COULDN'T THE COMPANY HAVE FILED A RATE CASE TO CAPTURE THE**
4 **HIGHER INTEREST RATE ENVIRONMENT?**

5 A. Absolutely. However, after having received rate case orders in 2021 and 2022, the
6 Company believed it was too much to ask of our customers, stakeholders, and regulators
7 to go through another rate case and increase. But after experiencing years of high interest
8 rate burden, we must now make sure our customer rates are reflective of our actual cost of
9 debt.

10 **Q. PLEASE EXPLAIN WHAT YOU MEANT BY THE CUSTOMER**
11 **AFFORDABILITY PROGRAM?**

12 A. Spire Missouri knew that there would be pressure on customer bills due to the capital
13 investments we have been deploying over the years. Accordingly, an initiative was put in
14 place to look at the efficiency and value of departments, headcount, and retirements. After
15 reviewing each department and looking at Spire Missouri's cost structure, it was decided
16 to reduce headcount and offer early retirements, focusing on non-union employees. This
17 was an equitable reduction in employment, meaning that some Spire Missouri management
18 and officers were part of the employee reduction. This customer affordability initiative
19 will save tens of millions of dollars in operating costs that will be passed onto customers
20 in the rates proposed in this proceeding.

21 **Q. WHY IS THE TIMING OF IMPLEMENTING THE CUSTOMER**
22 **AFFORDABILITY PROGRAM IMPORTANT?**

1 A. Spire Missouri did not wait to implement this cost reduction after approval of an Order in
2 this rate proceeding, in which case the Company would benefit from those savings until a
3 subsequent rate case. Instead, Spire Missouri implemented the changes in FY 2024, which
4 is the test year proposed for this case. This decision will allow Spire Missouri customers
5 to benefit from this reduction in cost immediately with this case, rather than years down
6 the road.

7 **Q. WHAT WAS THE RECENT ACCOUNTING TREATMENT REQUEST THAT**
8 **YOU INDICATED GETS PASSED ALONG TO CUSTOMERS?**

9 A. In Case No. GU-2025-0036, Spire Missouri asked for special accounting treatment on the
10 settlement of financial instruments that would have been taken to earnings had the
11 Company not requested the settlement be spread out over 10 years and the life of a long-
12 term debt issuance.

13 **Q. HOW DID REQUESTING THIS SPECIAL ACCOUNTING TREATMENT**
14 **BENEFIT CUSTOMERS?**

15 A. The accounting authority order (“AAO”) requested will favorably impact customer rates.
16 The AAO will allow the Company to reduce the interest expense attributable to this debt
17 issuance, thus lowering the rate of return proposed in this rate case proceeding. The savings
18 of approximately \$25-30 million will benefit our customers over the term of the debt
19 issuance.

20 **Q. KNOWING THAT BILL IMPACT IS A CONCERN FOR MANY CUSTOMERS,**
21 **DO YOU BELIEVE THE COMPANY’S SERVICE IS AFFORDABLE?**

22 A. Yes. Natural gas continues to be more cost effective than other energy sources, not to
23 mention more reliable. This can be confirmed by the Federal Register

1 <https://www.federalregister.gov/documents/2024/10/17/2024-23893/energy->
2 [conservation-program-for-consumer-products-representative-average-unit-costs-of-](https://www.federalregister.gov/documents/2024/10/17/2024-23893/energy-conservation-program-for-consumer-products-representative-average-unit-costs-of-)
3 [energy](https://www.federalregister.gov/documents/2024/10/17/2024-23893/energy-conservation-program-for-consumer-products-representative-average-unit-costs-of-energy)) or in the U.S. Energy Information Administration winter fuels short term energy
4 outlook. Even with this rate case increase, our customers' natural gas bills will be lower
5 than they were in 2024 because of the accompanying PGA decrease, and we are dedicated
6 to keeping costs low for our customers.

7 **Q. WHY IS IT IMPORTANT FOR SPIRE MISSOURI TO OFFER AN AFFORDABLE**
8 **PRODUCT?**

9 A. Spire Missouri's product is natural gas, which is a fuel of choice in Missouri. Most
10 Missourians need electricity and water as necessities and use natural gas for heating, hot
11 water, and cooking. While this can also be achieved through propane or electricity, natural
12 gas is cleaner, more efficient, and more reliable in Missouri than those alternatives. These
13 are all compelling benefits of our product, but delivered price is also critical. Because of
14 transformational shifts in the domestic production of natural gas and the corresponding
15 changes in interstate pipeline flows in the U.S., Spire Missouri is able to be competitive on
16 price as well. According to the American Gas Association, that is why gas customers will
17 save nearly \$1,132 a year using our product compared to energy alternatives. Since we are
18 an energy of choice, we have a greater responsibility to manage cost and offer a product
19 that brings value to our customers.

20 **VI. CONCLUSION**

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

22 A. Yes, it does.

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

In the Matter of Spire Missouri Inc. d/b/a)
Spire's Request for Authority to Implement)
A General Rate Increase for Natural Gas) File No. GR-2025-0107
Service Provided in the Company's Missouri)
Service Areas)

VERIFICATION OF SCOTT A. WEITZEL

STATE OF MISSOURI)
)
CITY OF ST. LOUIS)

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

I. My name is Scott A. Weitzel. I am the Vice President, Regulatory and Governmental Affairs for Spire Missouri Inc. My business address is 700 Market St., St Louis, Missouri 63101.

II. My direct testimony on behalf of Spire Missouri Inc. is attached to this verification.

III. My answers to each question in the attached direct testimony are true and correct to the best of my knowledge, information, and belief.



Scott A. Weitzel

November 25, 2024

Date