Exhibit No.:	
Issue(s):	**Filing Overview and Introduction of Witnesses Rate Relief Requested**
Witness:	**David A. Yonce**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Spire Missouri, Inc.**
Case No.:	**GR-2025-0107**
Date Prepared:	**November 25, 2024**

SPIRE MISSOURI INC.

GR-2025-0107

DIRECT TESTIMONY

OF

DAVID A. YONCE

****Denotes Confidential Information**** **P**

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SCHEDULES:

DIRECT TESTIMONY OF DAVID A. YONCE

I. INTRODUCTION

Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE BENEFIT OF THE MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION")?

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

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Managing Director of Regulatory Affairs for Spire Missouri Inc. ("Spire Missouri" or the "Company").

Q. HOW LONG HAVE YOU HELD THAT POSITION AND WHAT ARE YOUR RESPONSIBILITIES?

A. I have held this role since July 2023. I am responsible for the Company's rates and tariffs, including overseeing the Company's regulatory filings and managing cases before the Missouri Public Service Commission. I am also responsible for overseeing the Company's energy efficiency programs.

Q. WHAT ROLES HAVE YOU HELD AT SPIRE MISSOURI PRIOR TO YOUR CURRENT ROLE?

A. I joined Spire Missouri in 2013 as an analyst in the strategy and corporate development department. I was then promoted to director and worked in that group until 2018, at which point I held various positions, including Director of Gas Control, Director of Gas

Operations, Director of Workload Planning Strategy, and Managing Director of Gas Supply.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated from Truman State University in 2008 with a Bachelor of Science in Business Administration. I later obtained my Master of Business Administration in 2014 from Washington University in St. Louis.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes. I submitted testimony in GR-2021-0127, GR-2022-0136 and GC-2024-0172.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to provide a high-level overview of the Company's filing and introduce the Company witnesses that are sponsoring testimony in support of the Company's filing. I will also explain the Company's proposal for a new Distribution Service Adjustment mechanism, the removal of propane from the Company's supply portfolio, the need to fully recover rate case expense, a proposal for a new mechanism to address amortization treatment of miscellaneous regulatory assets and liabilities, and a proposal for a new advanced leak detection tracker.

III. FILING OVERVIEW

Q. PLEASE SUMMARIZE THE COMPANY'S FILING.

A. As summarized in Spire Missouri Witness Scott Weitzel's testimony, this filing is primarily designed to provide Spire Missouri with an opportunity to recover the significant investment in infrastructure and technology the Company has made since its last rate case, update the rate of return and capital structure, and implement or improve mechanisms

designed to address the impacts of weather and conservation as allowed by statute. In addition, Spire Missouri also is proposing a single set of tariffs and distribution rates across Spire Missouri's service territory.

Q. WHAT IS THE TOTAL REVENUE REQUIREMENT BEING PROPOSED IN THIS CASE?

A. The total revenue requirement is outlined and supported in Spire Missouri Witness Eric Bouselli's testimony and attached schedules. Spire Missouri is requesting a gross revenue increase of approximately $289.5 million. However, this amount is offset by the $53.6 million in Infrastructure System Replacement Surcharge ("ISRS") revenues the Company is already collecting, making Spire Missouri's net incremental revenue increase $235.9 million. As indicated by Spire Missouri Witness Scott Weitzel, the Company's proposed incremental base rate increase amounts would be more than offset by the recent purchased gas adjustment ("PGA") decrease. Accordingly, even with this rate case increase, the future rates of Spire Missouri customers in fiscal year ("FY") 2026 will still be lower than they were in FY 2024.

Q. WHAT ARE THE PRIMARY COMPONENTS OF THIS RATE CASE FILING?

A. The major components driving the revenue requirement increase are rate base growth and associated depreciation, payroll and other related adjustments, increased expense associated with locates, reductions in usage resulting from weather and conservation, property taxes, amortizations, stranded meter assets, among other miscellaneous items. These components are more fully described in the testimony prepared by other Spire Missouri witnesses.

Q. WHY IS SPIRE MISSOURI SEEKING TO INCREASE ITS RATES AT THIS TIME?

A. As described in Spire Missouri Witness Scott Weitzel's testimony, Spire Missouri has made significant investments in its infrastructure since its last case. The Company has invested over $1 billion in new capital to meet the growing expectations and needs of our customers, improve our systems and operations, reduce maintenance costs, and mitigate environmental impacts. Additionally, given the regulatory construct in Missouri, Spire Missouri's rates are based on a historical test year, so the expenses that are being recovered in rates currently are based on a case that was filed in April 2022 (GR-2022-0179), and are grossly understated compared to current market conditions as a result of the significant inflationary environment that we've been operating in over the last 2.5+ years.

IV. INTRODUCTION OF WITNESSES

Q. ASIDE FROM YOU, WHICH WITNESSES ARE SPONSORING TESTIMONY IN SUPPORT OF SPIRE MISSOURI'S FILING?

A. The following witnesses are sponsoring testimony on behalf of Spire Missouri, and their respective subject matters, are as follows:

Witness	Testimony/Issues
Scott Weitzel	Mr. Weitzel provides a high-level overview of the Company and the need for rate relief in this proceeding, summarizes the relief requested, customer impacts, and steps the Company has been taking to mitigate the impact of the necessary rate increase.
Michelle Antrainer	Ms. Antrainer addresses the progress of items required as per the Stipulation and Agreement in GR-2022-0179, explains the diaphragm meter cost recovery being proposed by Spire Missouri, and supports an adjustment to reflect a normalized customer count.

Julie Johnson	Ms. Johnson supports the consolidation of the Spire Missouri East and West tariffs, class cost of service, as well as other miscellaneous tariff changes and supports the Keeping Families Warm tariff.
Eric Bouselli	Mr. Bouselli supports Spire Missouri's revenue requirements, including the primary factors driving Spire Missouri's need for an increase in rates and sponsors the revenue requirement schedules, including rate base.
Trisha Lavin	Ms. Lavin supports adjustments for weather normalization and customer annualization, and rate switching normalization for those customers who changed rates throughout the test year as well as addressing the Company's Certificate of Convenience and Necessity audit.
Adam Woodard	Mr. Woodard supports Spire Missouri's proposed rate of return including the various components of the rate of return: return on equity, cost of debt, and capital structure.
Shaylyn Dean	Mr. Dean discusses Spire Missouri's ongoing energy efficiency efforts and income eligible program offerings.
Tim Lyons	Mr. Lyons supports Spire Missouri's working capital requirement and class cost of service study.
John Spanos	Mr. Spanos sponsors and supports the depreciation rates being proposed in this proceeding, which are based on a depreciation study he conducted.

V. DISTRIBUTION SERVICE ADJUSTMENT

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED DISTRIBUTION SERVICE ADJUSTMENT.

A. Spire Missouri is proposing to replace its current Weather Normalization Adjustment Rider ("WNAR") with a Distribution Service Adjustment ("DSA"). Spire Missouri's WNAR is designed to address revenue variations caused by abnormal weather. The new DSA mechanism would better address the revenue impacts of changes in usage for weather and

would also address revenue effects caused by conservation as authorized in Section 386.266 RSMo. That statute provides: ". . . any gas or electrical corporation may make an application to the commission to approve rate schedules authorizing periodic rate adjustments outside of general rate proceedings to adjust rates of customers in eligible customer classes to account for the impact on utility revenues of increases or decreases in residential and commercial customer usage due to variations in either weather, conservation, or both."

Q. HOW DOES THE WNAR OPERATE?

A. Spire Missouri's current WNAR mechanism calculates a weather adjustment to revenue by taking the difference between actual heating degree days and normal heating degree days, as established in Spire Missouri's most recent general rate case,[1] by heat use per degree day per customer, times bill counts for the Residential class. Heat use per degree day per customer is determined by performing a regression analysis of heat use per bill and degree days. The WNAR mechanism uses the heat use per degree day per customer calculated during Spire Missouri's most recent rate case. The result of the calculation is a number of Ccfs to be adjusted per customer. This amount is multiplied by the number of bills in each of the Company's billing cycles and then by the applicable service rates to create a monthly weather adjustment. The Company makes annual WNAR adjustment filings for its Residential class only.

Q. DOES SPIRE MISSOURI'S CURRENT WNAR ADDRESS CONSERVATION?

[1] "Normal heating degree day" as defined in Spire Missouri's current Tariff Sheet No. 13 is "based upon [the Commission] Staff's daily normal weather as determined in the most recent rate case."

A. No, it does not. The fact that the DSA does account for conservation is one of the primary improvements associated with implementing the DSA instead of continuing to utilize the current WNAR mechanism.

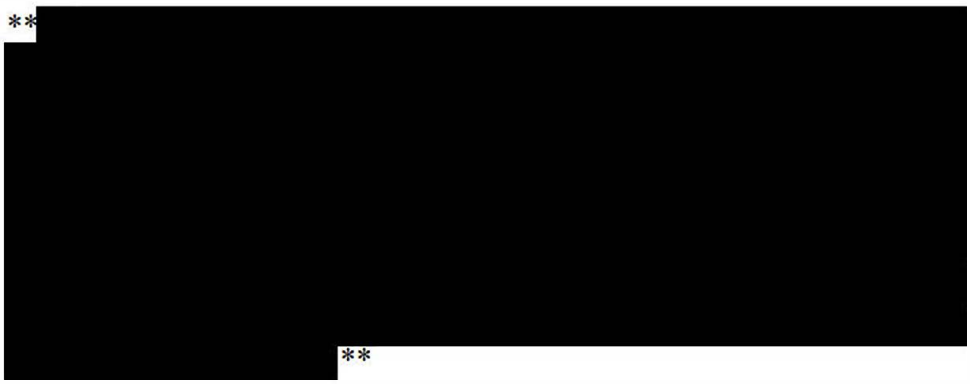
Q. WHAT IS A CONSEQUENCE OF NOT RECOGNIZING CONSERVATION?

A. As Spire Missouri Witness Shaylyn Dean describes, Spire Missouri offers a portfolio of energy efficiency programs to assist its customers with conservation efforts. However, Spire Missouri does not receive recognition of the impact that its energy efficiency programs have on volumetric usage or that conservation in general has on volumetric usage. The local distribution company business is a fixed cost business. The non-gas costs of Spire Missouri generally do not vary with the amount of gas it sells. Accordingly, volumetric pricing makes it impossible for a gas utility to earn its authorized return when usage per customer is declining due to conservation efforts made by Spire Missouri. As shown in the testimony of Spire Missouri Witness Scott Weitzel, the Company has earned significantly less than its authorized return beginning almost immediately after the issuance of an Order in its last rate case. The DSA is designed simply to provide Spire Missouri with an opportunity to earn its authorized return. As I discuss below, the DSA by no means guarantees Spire Missouri's ability to earn its authorized return.

Q. HAVE OTHERS RECOGNIZED THIS CONSEQUENCE?

A. Yes. In fact, during Ameren's Evidentiary Hearing in Case No. EO-2023-0136, Dr. Geoff Marke, representing the Office of the Public Counsel, specifically stated that "Spire [Missouri] doesn't get lost revenue adjusted for their energy efficiency programs. Spire [Missouri] doesn't get an earnings opportunity associated with their programs." Moreover, as Spire Missouri Witnesses Scott Weitzel and Adam Woodard testify, the credit rating

agencies have recognized the fact that weather and conservation have become a one-sided risk for the Company. S&P Global Ratings issued a report on September 26, 2024, titled "Decoupling Spire Missouri's Revenue From Weather Would Be Highly Supportive Of Credit Quality." The report states:



A copy of the report is attached as **Confidential Schedule DAY-D-1.**

Q. IN THE CONTEXT OF THE DSA, HOW IS CONSERVATION DEFINED?

A. Conservation is defined broadly to include the adoption of energy efficiency measures, as well as any other factor inducing changes to the volumes of gas sold.

Q. IS CONSERVATION DEFINED IN SECTION 386.266.3 RSMO?

A. No. However, Section 640.651 of the Missouri Revised Statutes provides the following definition:

> (8) **"Energy conservation measure"** or **"ECM"**, an installation or modification of an installation in a building or replacement or modification to an energy-consuming process or system which is primarily intended to maintain or reduce energy consumption and reduce energy costs, or allow the use of an alternative or renewable energy source[.]

Q. ARE THERE OTHER RELEVANT DEFINITIONS FOR CONSERVATION IN THIS CONTEXT?

A. Yes. According to the U.S. Energy Information Administration ("EIA"):

Energy efficiency and energy conservation are related and often complimentary or overlapping ways to avoid or reduce energy consumption. Energy efficiency generally pertains to the technical performance of energy conversion and energy-consuming devices and to building materials. Energy conservation generally includes actions to reduce the amount of end-use energy consumption. For example, installing energy-efficient lights is an efficiency measure. Turning lights off when not needed, either manually or with timers or motion sensor switches, is a conservation measure.

Efficiency and conservation measures can help to directly lower consumers' energy bills and potentially reduce greenhouse gas emissions associated with energy use. Consumers also benefit indirectly when reducing their electricity consumption helps to reduce demand on the electric system. High electricity demand often results in higher costs for generating and transmitting electricity that may be passed on to utility customers.
Examples of energy efficiency and conservation measures for consumers include:

- Buying energy-efficient products and vehicles with high fuel economy
- Using programmable thermostats to control heating and cooling systems
- Installing energy management and control systems in commercial and industrial facilities
- Turning off lights and electric appliances when not in use
- Participating in energy efficiency and conservation programs that utilities offer their customers.[2]

Q. WHAT DO THESE DEFINITIONS SUGGEST?

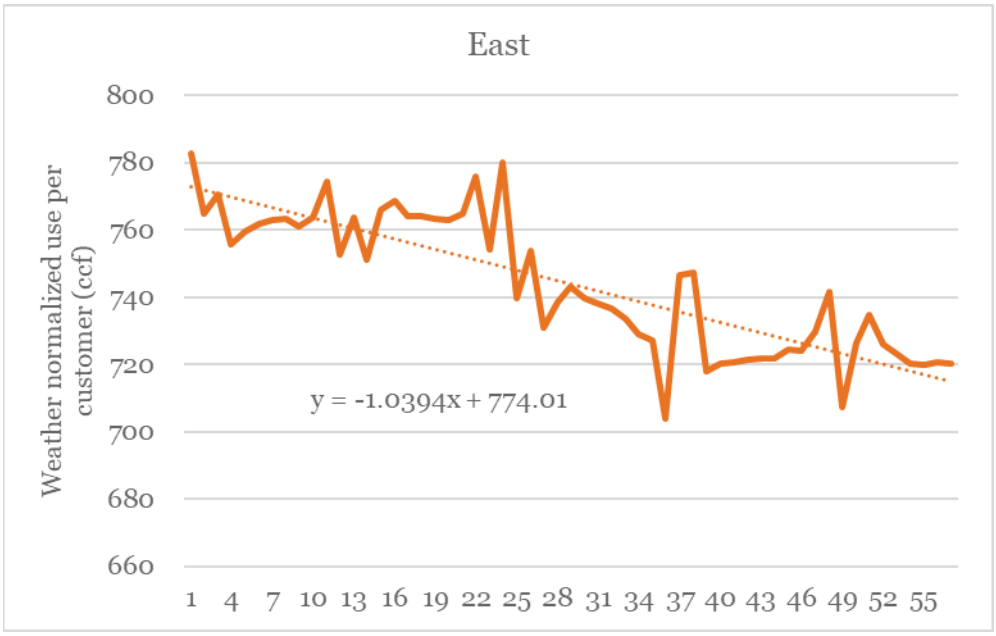
A. These definitions make it very clear that conservation ultimately includes both behaviors and personal decisions to reduce energy usage and upgrades to appliances and equipment to reduce energy usage.

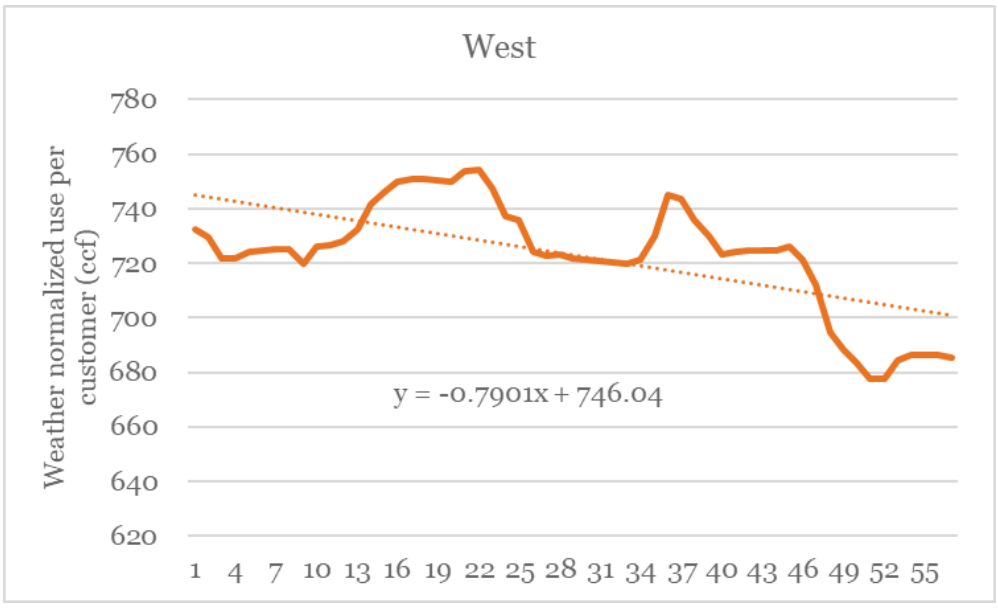
Q. HAS SPIRE MISSOURI BEEN AFFECTED BY CONSERVATION?

A. Yes. Spire Missouri not only has a very robust and effective energy efficiency program, but also promotes and sees the effects of conservation measures in the communities where

[2] U.S. Energy Information Administration, *Use of Energy Explained: Energy Efficiency and Conservation*, available online at https://www.eia.gov/energyexplained/use-of-energy/efficiency-and-conservation.php (Last updated January 12, 2024).

it operates. Spire Missouri Witness Shaylyn Dean elaborates on Spire Missouri's energy efficiency programs and some of the impacts from them. However, the impact of energy efficiency and conservation on Spire Missouri's use per customer can best be shown by plotting the weather normalized rolling 12-month residential use per customer over the last 60 months ending September 2024 as shown below. This exercise shows a significant downward trend on both the Spire Missouri East and West systems.





Q. YOU MENTIONED SPIRE MISSOURI PROMOTES CONSERVATION. PLEASE PROVIDE AN EXAMPLE.

A. The easiest example to point to is right on our website[3] where we list tips for saving energy and money. Some specific examples we provide are:

- keep heat in by insulating and sealing outer walls, ceilings, windows, doors and floors
- keep cold air out by closing your fireplace damper when it's not in use.
- save on water-heating costs by taking showers instead of bath
- prevent energy waste by never cooking with a flame that exceeds a pan's width.

Q. HOW WOULD THE PROPOSED DSA OPERATE?

A. The DSA mechanism would simply adjust for over or under-recoveries associated with the revenue requirement established in the Company's most recent general rate case. This adjustment would work very similar to the existing Actual Cost Adjustment ("ACA") process currently used to "true-up" the PGA portion of the customer bill. Additionally, unlike the WNAR, the DSA is a much more straightforward mechanism. The average customer will easily understand how the DSA is calculated and how it affects their rates. A copy of the proposed DSA tariff sheet is attached to my testimony as **Schedule DAY-D-2** and is also included in the tariffs filed with our Minimum Filing Requirements.

Q. TO WHICH RATE CLASSES WOULD THE DSA BE APPLICABLE?

A. The DSA mechanism would be applicable to the Residential and Small General Service rate classes.

Q. WHY WOULD THIS ONLY APPLY TO THESE RATE CLASSES?

A. Based on our experience, these are the most weather-sensitive rate classes. Moreover, this is consistent with the terms of Section 386.266(3), RSMo, which allows the Commission

[3] https://www.spireenergy.com/tips-using-energy-wisely.

to approve "periodic rate adjustments outside of general rate proceedings to adjust rates of customers in *eligible customer classes* to account for the impact on utility revenues of increases or decreases in residential and commercial customer usage due to variations in either weather, conservation, or both." (Emphasis added). "Eligible customer classes" means "the residential class and classes that are not demand metered; and for gas corporations."

Q. WILL YOU PLEASE WALK THROUGH THE DSA TARIFF AND HOW IT IS DESIGNED TO WORK?

A. Yes. It is designed to stabilize customers' utility bills and reduce over and under-recoveries of the base revenues authorized in the Company's most recent general rate proceeding due to changes in residential and small general service customer usage from both weather and conservation. This will occur by booking these over or under-recoveries to a regulatory deferral account to ultimately be returned to or recovered from customers.

Q. HOW WILL THE EQUATION WORK TO CALCULATE THE OVER OR UNDER RECOVERIES?

A. For each twelve (12) month billing period ended September 30, the difference between the revenue requirement approved by the Commission in the Company's most recent rate proceeding for the applicable customer class and the actual revenue billed from the applicable customer class, excluding revenues arising from adjustments associated with the DSA, plus any balance for the previous year will be accumulated to produce a cumulative balance of over-recovered or under-recovered costs to be returned to or recovered from customers. The actual equation and components of the equation are listed below.

$$DSA = \frac{RR - AR + TU}{BD}$$

RR = The revenue requirement approved by the Commission in the Company's most recent rate proceeding for the applicable customer class.

AR = The actual revenue billed from the applicable customer class, excluding revenues arising from adjustments under this provision.

TU = Any over-recovery or under-recovery balance for the previous year.

BD = The annual sales volumes approved by the Commission in the Company's most recent rate proceeding for the applicable customer class.

Q. IS SPIRE MISSOURI SEEKING AN EARNINGS OPPORTUNITY RELATED TO THIS NEW MECHANISM?

A. No. Spire Missouri is simply seeking to be made whole for the impacts of weather and conservation, which is allowed per statute (Section 386.266, RSMo) as referenced above. Under the current structure, Spire Missouri is penalized for offering and promoting its energy efficiency programs and conservation measures because those programs and messaging encourage lower natural gas usage. Spire Missouri is also feeling the effects and getting penalized through loss of revenue with the hundreds of millions of dollars that have been invested in shared homes with Ameren and Evergy through their decades long Missouri Energy Efficiency Investment Act ("MEEIA") programs, which gas utilities are not a part of.

Q. DOES THE DSA ELIMINATE ALL UTILITY SHAREHOLDER RISK?

A. No. The DSA only ensures that the Company recovers its authorized revenues, not more or less. Even with the DSA, the utility still must operate efficiently in order to earn its authorized return. The DSA mechanism only impacts one side of the revenue requirement. If expenses are managed inappropriately, the authorized return will still not be earned.

Q. HOW OFTEN WOULD A DSA ADJUSTMENT BE MADE?

A. The Company is proposing to make an annual DSA adjustment filing.

Q. WHAT DOES THE COMPANY PROPOSE TO DO WITH ITS CURRENT WNAR AND WNAR RECONCILIATION BALANCES?

A. If the DSA mechanism is approved, the existing WNAR mechanism would remain in place until all over or under collected balances are either returned to or recovered from customers. After all balances are either returned to or recovered from, the existing WNAR mechanism would no longer be effective.

Q. ARE THERE OTHER BENEFITS ASSOCIATED WITH THE DSA MECHANISM?

A. Yes. This mechanism creates more rate certainty for both customers and the Company. The existing mechanism is unnecessarily complicated and nearly impossible for a customer to truly understand by reading the tariff, not to mention to calculate it themselves. Transparency and simplicity are always preferred when possible, and the DSA mechanism is much more straightforward and easier to understand than the existing WNAR mechanism. Additionally, the DSA mechanism should ultimately accomplish a very similar result to a properly functioning WNAR mechanism.

Q. HAS STAFF OF THE COMMISSION ("STAFF") SUPPORTED AN ADJUSTMENT FOR WEATHER AND CONSERVATION IN THE PAST?

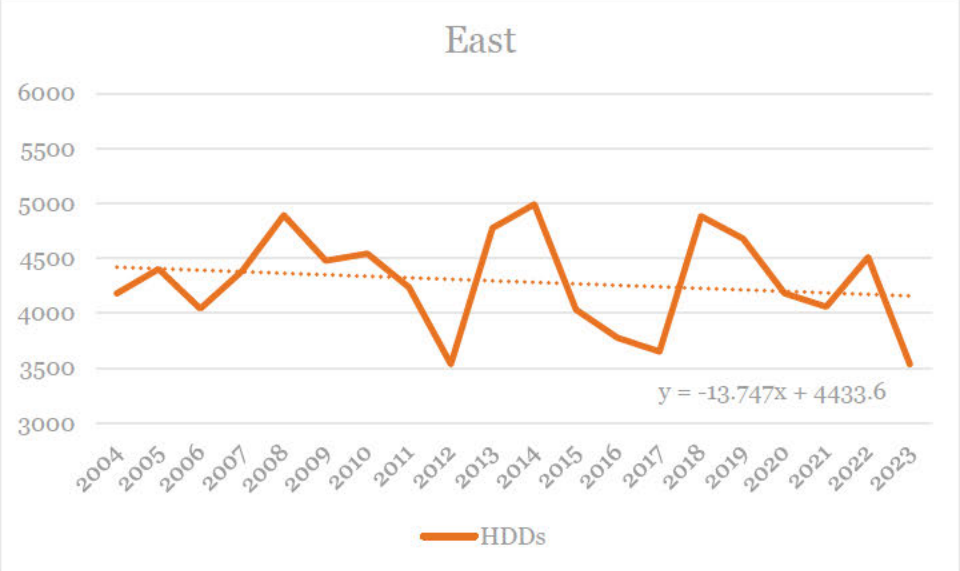
A. Yes. Please see Spire Missouri Witness Scott Weitzel's direct testimony. Staff Witness Michael L. Stahlman states "[t]his design insulates the company from sales fluctuations associated with deviations in weather-related sales from what is normal, whether driven by the actual weather or by conservation efforts related to weather" (Case No. GR-2021-0108 Staff CCOS Report, p.39, lines 5-8).

Q. WHAT IF THE COMMISSION DOES NOT GRANT THE NEWLY PROPOSED DSA MECHANISM?

A. While Spire Missouri believes the DSA mechanism is better for all parties, in the event the Commission does not authorize its use, the Company would propose to modify the existing WNAR mechanism. Additionally, the Company would propose an adjustment be made to address the impacts of conservation, as allowed for by statute.

Q. IN THAT CIRCUMSTANCE, WHAT CHANGES WOULD BE PROPOSED TO THE EXISTING WNAR MECHANISM?

A. First and foremost, what is used for normal weather should be updated. While a "30-year normal" may have been appropriate in the past, it's evident that there is a new normal, and it does not look like the "30-year normal". Spire Missouri Witness Trisha Lavin goes into more detail around this, including providing a report prepared by a weather consultant proposing the use of a 10-year normal. However, for high-level context, the charts below show this warming very clearly. Additionally, and as has been highlighted briefly above, the weather file used for WNAR should be updated.



Q. WHAT CHANGES SHOULD BE MADE TO THE WEATHER FILE?

A. First, Spire Missouri should own, update and manage the weather file used to calculate the WNAR, should it be continued, and be audited and verified by Staff or other parties. Second, the normal weather being used should be consistent with the 10-year normal weather that Spire Missouri Witness Trisha Lavin has proposed and supported in her testimony. Finally, the weather data used to calculate normal weather should continuously be updated over time. The current 30-year normal weather being used today only includes data through 2018. At a minimum, normal weather should include the warmer-than-normal temperatures that have been experienced the last six years.

Q. IF THE WNAR IS CONTINUED, AS OPPOSED TO ADOPTING A DSA, IS SPIRE MISSOURI PROPOSING ANY OTHER CHANGES?

A. Yes, the coefficients used in the WNAR calculation should be reviewed and updated to better reflect the relationship between customer usage and weather. Additionally, the Small General Service rate class should be added to the WNAR tariff as it is very much a weather-sensitive rate class as described earlier in my testimony.

Q. HAS THIS COMMISSION APPROVED INCLUSION OF THE SMALL GENERAL SERVICE CLASS IN WNARS OR OTHER SIMILAR RIDERS IN THE PAST?

A. Yes. Liberty Utilities (Midstates Natural Gas) Corp. includes the Small General Service Class in its WNAR. Additionally, the Commission approved the inclusion of General Service customers in Union Electric Company d/b/a Ameren Missouri's Delivery Charge Adjustment Rider in Case No. GR-2019-0077.

Q. HOW WOULD THE COMPANY PROPOSE ADDRESSING CONSERVATION?

A. If the DSA mechanism is not adopted, Spire Missouri proposes adding a conservation adjustment to the Residential and General Service rate classes test year revenues. A placeholder has been included on Schedule EAB MOE-G1 and EAB MOW-G1 sponsored by Spire Missouri Witness Eric Bouselli, but the value is set at zero as it will only be required if the DSA mechanism is not approved.

Q. DOES THE COMPANY HAVE AN ESTIMATE OF THIS ADJUSTMENT, IF IT IS NEEDED?

A. Yes. Based on a review of the historical impact of energy efficiency and conservation on the Company's load, it's estimated that this adjustment would be $4 to $5 million for the Residential class. The Company does not currently have an estimate for the General Service rate classes but expects the magnitude could be similar to the Residential class.

VI. PROPANE

Q. WHAT ADJUSTMENTS IS SPIRE MISSOURI PROPOSING TO MAKE FOR PROPANE?

A. Since the 1970s, Spire Missouri has operated a liquid propane storage cavern in Florissant, Missouri, for the purpose of peak shaving to supplement natural gas supply. Spire Missouri

is proposing to remove all plant, revenues and expenses related to its propane assets from its cost of service. Therefore, Spire Missouri has removed all rate base amounts associated with propane assets and inventories, as well as associated propane revenue and expenses from its cost of service as outlined in the direct testimony of Spire Missouri Witness Eric Bouselli.

Q. WHY IS THIS ADJUSTMENT BEING MADE?

A. Spire Missouri has taken steps to remove propane peaking facilities from its gas supply portfolio. Since the facility is no longer used to serve customers, the costs associated with the inventory and expenses are being removed.

Q. WHAT WILL HAPPEN TO THE PROPANE INVENTORY IN THE FACILITY?

A. Spire Missouri will have to take a significant loss on the inventory. The current price of propane is less than what the weighted average cost of propane inventories in the cavern that were purchased and put in over the decades. This loss will be borne by the Company, not the customer.

Q. WHEN WAS PROPANE REMOVED FROM SPIRE MISSOURI'S SUPPLY PORTFOLIO?

A. The facilities were officially removed from service in April 2020. Once Spire Missouri started taking service from Spire STL Pipeline in the winter of 2019/2020, the propane facilities were no longer a part of Spire Missouri's supply portfolio.

Q. WHY WAS THE PROPANE NO LONGER NEEDED AS PART OF SPIRE MISSOURI'S PORTFOLIO ONCE IT BEGAN TAKING SERVICE FROM THE SPIRE STL PIPELINE?

A. The capacity that the Company contracted for on Spire STL Pipeline was enough to offset the requirements of the propane-peaking facilities. In fact, the Company specifically contracted for enough capacity on Spire STL Pipeline to allow for the retirement of the propane facilities from its supply portfolio.

Q. IS THERE JUSTIFICATION SUPPORTING THIS CHANGE IN ACCORDANCE WITH THE STIPULATION AND AGREEMENT IN CASE NO. GR-2022-0179?

A. Yes. The removal of propane from Spire Missouri's supply portfolio was looked at heavily in Case No. GR-2021-0127. Internal studies were completed and provided in that case along with third-party consultant studies which supported the removal of propane from the supply portfolio.

Q. HAS THIS CHANGE BEEN REFLECTED IN THE COMPANY'S SUPPLY PLANNING PROCESS?

A. Yes. During the same period the facilities were removed from service (in June 2020), the Company updated its Resource Plan (i.e. gas supply plan) to reflect the removal of propane from the supply portfolio. This updated plan has been provided and reviewed by Staff through data requests in the last four ACA proceedings (GR-2021-0127, GR-2022-0135, GR-2023-0157, and GR-2023-0217).

VII. RATE CASE EXPENSE

Q. HOW IS SPIRE MISSOURI PROPOSING TO ADDRESS RATE CASE EXPENSES?

A. Spire Missouri is proposing to amortize rate case expense over a two-year period.

Q. WHAT COSTS DOES SPIRE MISSOURI PROPOSE TO INCLUDE IN THE RATE CASE EXPENSE AMORTIZATION?

A. Spire Missouri proposes to include all costs associated with preparing and resolving this rate case, including those already incurred and those expected to be incurred through the conclusion of the case. These costs will include consultants, outside legal counsel, costs for customer communications, and other miscellaneous expenses related to the case.

Q. WHY SHOULD THE COMMISSION ALLOW FOR RECOVERY OF ALL COSTS?

A. The expenses incurred to prepare, file, and resolve a rate case are necessary, just, and reasonable for a prudent utility operator to incur and are necessary to provide safe, reliable, and affordable service to customers.

Q. HAS THE COMPANY'S RATE CASE EXPENSE BEEN EXCLUDED FROM RECOVERY IN THE PAST?

A. Yes. In GR-2017-0215 and GR-2017-0216 the Commission disallowed recovery for expenses deemed solely for the benefit of the shareholder and continued this trend in GR-2021-0108. In this case, all expenses incurred in preparing this case have been for the benefit of the customer, Company, and the shareholder, and are just and reasonable for a utility operator in the normal course of business.

VIII. AMORTIZATION TREATMENT OF MISCELLANEOUS REGULATORY ASSETS AND LIABILITIES

Q. WHAT IS SPIRE MISSOURI PROPOSING RELATED TO AMORTIZATIONS?

A. To manage miscellaneous fully amortized regulatory assets or liabilities between rate cases, the Company is proposing to create a new regulatory account to track the excess amortizations that occur when the assets or liabilities become fully amortized between rate cases. Regulatory assets and liabilities currently included in a tracker, such as pensions,

property taxes, energy efficiency, etc., will continue to be handled under their respective trackers.

Q. HOW WOULD THIS REGULATORY ACCOUNT BE HANDLED?

A. As described above, the account would be used to track excess amortizations. The balance of the account would then be amortized over a period of 5 years in the next rate case. This practice could continue in subsequent cases, creating a cumulative account balance for amortizations.

Q. WHY IS THIS TREATMENT BENEFICIAL?

A. This mechanism addresses the over- or under-collection of revenues between rate cases associated with regulatory assets or liabilities that are fully amortized. If a regulatory asset is fully amortized between rate cases, this can result in over-collection by the Company. If a regulatory liability is fully amortized between rate cases, this can result in under-collection by the Company. This mechanism resolves the potential over- or under-collection scenario that is created when this happens.

IX. ADVANCED LEAK DETECTION TRACKER

Q. WHAT IS ADVANCED LEAK DETECTION?

A. Advanced leak detection is broadly defined to encompass the use of commercially available technologies to detect leaks according to the United States Department of Transportation's Pipeline and Hazardous Materials Safety Administration ("PHMSA"). PHMSA has stated:

> PHMSA...does not propose to narrowly define advanced leak detection in terms of a particular technology, process, manufacturer, or equipment. One type of technology may not always be appropriate for every flammable, corrosive, or toxic gas, each type of pipeline facility or even across the range of operational/environmental conditions (e.g., seasonal temperature, humidity, or precipitation patterns) within which a particular pipeline

> operates. Rather than a technology standard, PHMSA expects each of the periodic evaluation and improvement element of each ALDP [Advanced Leak Detection Program] (proposed in § 192.763(a)(4)), and the ALDP performance requirement (proposed in § 192.763(b), described later in this section), would encourage operators to continually evaluate and incorporate within their ALDPs such newly commercialized technologies as appropriate for their systems over time. This flexible approach would ensure that operators' leakage detection equipment keeps pace with the state-of-the-art in leak detection technology. Additionally, this NPRM proposes to require operators to select their leak detection equipment based on a documented analysis that considers, at a minimum, the gas being transported, the size, configuration, operating parameters, and operating environment of the operator's system. An operator would be required to choose leak detection technologies that are best able to detect, investigate, and locate all leaks considering these factors. For example, an advanced mobile leak detection system could be an effective tool for detecting methane leaks in a suburban distribution system but may not be optimal for surveying service lines in an area with long setbacks or a transmission pipeline with poor road access.[4]

Q. HAS PHMSA TAKEN ANY ACTION RELATED TO ADVANCED LEAK DETECTION?

A. Yes. PHMSA released a Notice of Proposed Rulemaking ("NPRM") on Leak Detection and Repair ("LDAR") on May 18, 2023. The excerpt above is from the NPRM.

Q. WHAT WAS IN THE NOTICE?

A. The NPRM was in response to the congressional mandate of the Protecting our Infrastructure of Pipelines and Enhancing Safety ("PIPES") Act of 2020 which required PHMSA to establish a rule related to minimum requirements for leak detection and repair, and the use of advanced leak detection technology and practices. The NPRM also codifies the mandate in the PIPES Act of 2020 that required operators to update their inspection and maintenance plans to include protection of the environment and replacement or remediation of pipe known to leak.

[4] 88 Fed. Reg. 31890 (May 18, 2023), available online at https://www.federalregister.gov/documents/2023/05/18/2023-09918/pipeline-safety-gas-pipeline-leak-detection-and-repair.

Q. WHEN IS THE LDAR RULE EXPECTED TO BECOME FINAL?

A. The LDAR final rule is expected to be published by PHMSA in early 2025, and the effective date of the rule is currently six months from the final rule publication. However, many in the industry have stated concerns about the timing of the effective date and have requested PHMSA to consider a longer period of time between the publication date and the effective date.

Q. HOW WILL THE LDAR FINAL RULE IMPACT SPIRE MISSOURI?

A. The LDAR rule is expected to impact Spire Missouri in several ways, but the main impacts will surround the advanced leak detection requirements, in particular the increase in the number of leak surveys that must be performed, which in turn will increase the number of leaks found and the associated repair costs associated with leak detection. In addition, the rule is expected to codify leak grade definitions and timing of rechecks and repairs that could impact Spire Missouri.

Q. HAS SPIRE MISSOURI ESTIMATED THE COST OF COMPLIANCE WITH THE FINAL RULE?

A. We do have some cost estimates regarding compliance with the rule but are unable to firm up the estimate without knowing what will be in the final rule and when it will be effective.

Q. WHAT IS SPIRE MISSOURI DOING NOW IN ANTICIPATION OF THIS RULE CHANGE?

A. In anticipation of the final rule, and to ensure we're able to comply with the future requirements, Spire Missouri is engaging with a third-party service provider to initiate advanced leak detection surveys in our service areas. Depending on the effective date of the final rule, Spire Missouri intends to ramp up advanced leak detection over time, which

will likely result in additional leaks found given the increased sensitivity of the advanced leak detection equipment and ultimately the potential for increased leak repair costs.

Q. GIVEN THE UNCERTAINTY, HOW DOES SPIRE MISSOURI PROPOSE TO ACCOUNT FOR THE POTENTIAL INCREASED COSTS?

A. We are requesting a regulatory deferral mechanism (tracker) for all operation and maintenance costs and the revenue requirement associated with capital spending incurred to comply with the final LDAR rule to be recoverable in Spire Missouri's next general rate case.

Q. WHY IS A TRACKER APPROPRIATE IN THIS SITUATION?

A. Spire Missouri is proposing a tracker because the costs are unknown at this time, but it is possible that the final rule could result in significant changes to leak detection and repair costs, which would be incurred between now and the Spire Missouri's next rate case. In the absence of a tracker to defer these unknown, but necessary, costs and pending the final rule and timing of the effective date, Spire Missouri could be forced to come back in for a rate relief sooner to ensure recovery of the costs of compliance with this new federally mandated rule.

X. CONCLUSION

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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 Service Provided in the Company's Missouri Service Areas	)))))	File No. GR-2025-0107

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:

I. My name is David A. Yonce. I am the Managing Director, Regulatory 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.

David A. Yonce

November 25, 2024

Date

Schedule DAY-D-1 has been marked
Confidential in its entirety pursuant to
20 CSR 4240-2.135(2)(A)5

DISTRIBUTION SERVICE ADJUSTMENT
DSA

A. APPLICABILITY

The Distribution Service Adjustment ("DSA") is designed to stabilize customers' utility bills and reduce over and under-recoveries of the base revenues authorized in the Company's most recent general rate proceeding due to changes in residential and small general service customer usage from both weather and conservation. This is achieved by authorizing the Company to book such over or under-recoveries to a regulatory deferral account and returned to or recovered from customers.

B. CALCULATION OF THE DISTRIBUTION SERVICE ADJUSTMENT (DSA)

For each twelve (12) month billing period ended September 30, the difference between the revenue requirement approved by the Commission in the Company's most recent rate proceeding for the applicable customer class and the actual revenue billed from the applicable customer class, excluding revenues arising from adjustments under this provision, plus any balance for the previous year shall be accumulated to produce a cumulative balance of over-recovered or under-recovered costs. The DSA factor shall be computed by dividing the cumulative balance of under-recoveries or over-recoveries by the annual sales volumes set out in this tariff for each applicable customer class.

$$DSA = \frac{RR - AR + TU}{BD}$$

RR = The revenue requirement approved by the Commission in the Company's most recent rate proceeding for the applicable customer class.

AR = The actual revenue billed from the applicable customer class, excluding revenues arising from adjustments under this provision.

TU = Any over-recovery or under-recovery balance for the previous year.

BD = The annual sales volumes approved by the Commission in the Company's most recent rate proceeding for the applicable customer class.

This adjustment shall be rounded to the nearest $0.00001 per Ccf and applied to the billings of each applicable customer class, commencing in November of each year, and shall remain in effect until superseded by subsequent DSA factors calculated in accordance with this provision.

DISTRIBUTION SERVICE ADJUSTMENT
DSA

B. CALCULATION OF THE DISTRIBUTION SERVICE ADJUSTMENT (DSA) (continued)

For each month during the DSA period and for each month thereafter, interest, at a simple rate equal to the prime bank lending rate (as published in the Wall Street Journal on the first business day of the following month), minus two (2) percentage points (but not less than zero) shall be credited to customers for any over-recovery of distribution service costs or credited to the Company for any under-recovery of distribution service costs. Interest shall be computed based upon the average of the accumulated beginning and ending monthly DSA account balances.

The Company shall record its best estimate of the amounts to be recognized under the DSA so as to reflect in its books and records a fair representation of actual earnings for the accounting period. Such estimate shall be adjusted, if necessary, upon filing the DSA computations with the Commission, and again upon final Commission approval.