Exhibit No.:	
Issue:	Minimum Filing
	Requirements
	Revenues and
	Normalization
	Certificates of
	Convenience &
	Necessities
Witness:	Trisha E. Lavin
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Spire Missouri Inc.
Case No.:	GR-2025-0107
Date Testimony Prepared:	November 25, 2024

SPIRE MISSOURI INC.

CASE NO. GR-2025-0107

DIRECT TESTIMONY

OF

TRISHA E. LAVIN

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DIRECT TESTIMONY OF TRISHA E. LAVIN

1		I. <u>INTRODUCTION</u>
2	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
3	A.	My name is Trisha E. Lavin. My business address is 700 Market Street, St. Louis, Missouri
4		63101.
5	Q.	WHAT IS YOUR CURRENT POSITION?
6	A.	I am a Senior Regulatory Analyst for Spire Missouri Inc. ("Spire Missouri" or the
7		"Company").
8	Q.	PLEASE BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.
9	A:	I have been in my current position since September 2022. In my position, I am responsible
10		for assisting in many facets of regulatory research and modeling. I also lead and help assist
11		in the preparation and processing of Spire Missouri's regulatory mechanisms, including,
12		but not limited to, the Company's Infrastructure System Replacement Surcharge ("ISRS")
13		filings.
14	Q.	WHAT IS YOUR PRIOR EXPERIENCE?
15	A.	I joined Spire Missouri as a Regulatory Analyst in 2018. Prior to that, I obtained a
16		Bachelor's Degree in Economics with a minor in International Studies from the University
17		of Illinois-Springfield in 2017 and received my Master's Degree in Political Science from
18		University of Illinois-Springfield in 2019. During my Master's program, I was a graduate
19		assistant to the Director of the Center for Business & Regulation within the College of
20		Business and Management. In this role, I undertook regulatory research to further
21		understand the relationship between regulators and businesses, as well as assisted in

hosting the American Gas Association Rate Schools in Chicago, Illinois for both the
 introductory and advanced courses.

3 Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE MISSOURI 4 PUBLIC SERVICE COMMISSION ("COMMISSION") OR ANY OTHER 5 COMMISSION?

- A. Yes. I have filed testimony in Case Nos. GR-2021-0108, GO-2022-0171, GO-2023-0203,
 GO-2023-0432, GO-2024-0214 and GR-2025-0026.
- 8

II. PURPOSE OF YOUR TESTIMONY

9

Q.

WHAT IS THE PURPOSE OF YOUR TESTIMONY?

10 The purpose of my testimony is to identify and explain how this rate case filing satisfies A. 11 the minimum filing requirements pursuant to 20 CSR 4240-3.030(3)(B) and sponsor 12 certain income statement adjustments in the areas of revenue and gas costs. More 13 specifically, these adjustments include weather normalization and customer annualization 14 for the Residential class, and rate switching normalization for those customers who 15 changed rates throughout the test year or should change rates going forward based on 16 Spire Missouri's annual usage review. Additionally, my testimony includes revenue and/ 17 or expense adjustments for operating income items. I will also address the 18 Company's Commission ordered Certificate of Convenience and Necessity audit, as 19 well as the excess capacity adjustment that was made in GR-2021-0108. 20 Q. PLEASE LIST THE SCHEDULES YOU ARE SPONSORING.

A. I am sponsoring Schedule G-1 in both EAB-MOE1 and EAB-MOW1 which is attached to
 Company Witness Eric Bouselli's direct testimony.

III. **MINIMUM FILING REQUIREMENTS** 1 2 Q. WHAT IS THE AGGREGATE ANNUAL INCREASE AND THE PERCENTAGE 3 OF INCREASE OVER CURRENT REVENUES THAT SPIRE MISSOURI IS **PROPOSING IN THIS PROCEEDING?** 4 5 As explained in the testimony of Spire Missouri witness Scott Weitzel, in order to continue A. 6 to provide the safe and reliable natural gas service that our customers count on, Spire Missouri is requesting a gross revenue increase of approximately \$289.5 million. 7 However, this amount is offset by the \$53.6 million in ISRS revenues that the Company 8 9 is already collecting, making Spire Missouri's net incremental revenue increase 10 \$235.8 million or a 15.85% annual total bill increase for an average residential customer. 11 **Q**. WHAT IS REQUIRED BY COMMISSION RULES 20 CSR 4240-3.030(3)(A) AND 12 20 CSR 4240-3.030(3)(B)? These rules set forth the standard Minimum Filing Requirements ("MFR") for all general 13 A. rate increase requests for public utilities. Counsel for Spire Missouri is providing the tariff 14 transmittal letter as required by 20 CSR 4240-3.030(3)(A). The remaining MFRs as 15 required by 20 CSR 4240-3.030(3)(B) are listed below and can be found in Exhibit No. 2 16 17 of the Minimum Filing Requirements Package. 18 Counties and Communities Affected 19 Aggregate Annual Increase in Dollars and Percentages • 20 Number of Customer Affected by Service and Rate Class • Dollar and Percentage Change by Service and Rate Class 21 • Proposed Annual Aggregate Change by Service and Rate Class 22 ٠ Press Release 23

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Summary of Explanation for Additional Rate

2 Q. DID SPIRE MISSOURI ISSUE ANY PRESS RELEASES PRIOR TO OR AT THE 3 TIME OF THE FILING OF THIS RATE CASE?

4 A. Yes. The Company's press release, anticipated for November 26, 2024, is attached in
5 Exhibit No. 2.

6 Q: IS THE COMPANY REQUIRED TO FILE ANYTHING ELSE IN THIS RATE 7 CASE UNDER THE COMMISSION'S RULES?

8 A. Yes. Commission Rule 20 CSR 4240-40.090 requires a gas utility to submit a depreciation 9 study with a general rate increase request, except when a depreciation study has been 10 provided in the three years prior to the request. This rule also contains additional filing requirements for a gas utility's submission of a depreciation study and a property unit 11 12 catalog. The Company's full and complete detailed deprecation study for this proceeding 13 can be found in the Direct Testimony of Company witness John Spanos from Gannett Fleming. The Company's property unit catalog can be found in the Minimum Filing 14 15 Requirements Package as Exhibit 4.

Q. WILL YOUR TESTIMONY INCLUDE FURTHER DISCUSSION OF WHY SPIRE MISSOURI IS SEEKING A RATE INCREASE?

A. While I am sponsoring the minimum filing requirements required by Commission Rule 20
 CSR 4240-3.030, Spire Missouri Witnesses Scott Weitzel and David Yonce are filing
 direct testimony that more fully reflect the reasons for the Company's proposed rate relief.

1

IV. CERTIFICATED AND UNCERTIFICATED AREAS

2 Q. WHAT ISSUES ARE BEING ADDRESSED IN REGARD TO ASSETS IN 3 CERTIFICATED AND UNCERTIFICATED AREAS?

- 4 A. First, Spire Missouri is making an adjustment to Account 105000 stemming from
 5 Stipulation and Agreement Item #25 in GR-2021-0108 for plant held for future use.
- Second, over the last two years, Spire Missouri has filed a number of CCN applications for
 uncertificated territory containing Spire Missouri assets. As a condition of Commission
 approval of such applications, Spire Missouri was ordered to perform an internal audit of
 the processes and procedures regarding compliance with 20 CSR 4240-3.205.

10 Q. WHY IS THE COMPANY MAKING THIS ADJUSTMENT TO ACCOUNT 11 105000?

12 A. In Docket GR-2021-0108 Staff of the Commission ("Staff") Witness Robin Kliethermes stated that a total of seven CCNs and the associated revenue requirements of each CCN 13 were subject to review in the Company's next general rate proceeding¹. Staff Witness 14 Kliethermes went on to describe how in three CCN dockets the level of capacity installed 15 far exceeded the level of capacity currently utilized by the customer(s) and therefore 16 recommended an "excess capacity" adjustment based on the percentage of capacity 17 utilized. However, in the past couple of years the Company has experienced additional 18 hookups on some of those CCNs, and the Company is making this adjustment to reflect 19 20 plant investments associated with Docket Nos. GA-2020-0105, GA-2019-0226 and GA-21 2019-0210.

¹ GR-2021-0108 Staff Direct Revenue Requirement Report, page 29, Robin Kliethermes.

Q. WHAT IS THE IMPACT TO THE COMPANY'S PLANT HELD FOR FUTURE USE ACCOUNT 105000?

A. Because we are using more of the asset capacity with the additional hookups, the
adjustment will move \$57,100 from Plant Account 105000 Plant Held for Future Use to
Plant Account 101000 Plant in Service.

6 Q. PLEASE DESCRIBE THE INTERNAL AUDIT ORDERED BY THE 7 COMMISSION.

- A. The primary objectives of the audit were to review the Company's CCN processes and
 procedures regarding compliance with 20 CSR 4240-3.205 and confirm that all of the areas
 in which Spire Missouri is providing regulated service to customers has been certificated
 by the Commission.
- 12 Q. HAS SPIRE MISSOURI COMPLETED THIS AUDIT?
- 13 A. Yes.

14 Q. WHAT WERE THE RESULTS OF THE AUDIT?

A. The Company verified the accuracy of certificated Spire Missouri service locations within the GIS Mapping Overlay as compared to currently effective Spire Missouri Tariff Sheets, validated the accuracy of the Regulatory-led reconciliation of GIS records, and assessed business methods and processes across all Company departments involved. Spire Missouri also discovered that the majority of assets that were located outside of certificated areas were legacy Missouri Gas Energy ("MGE") installations.

- Additionally, the Company has implemented a semi-annual reconciliation between the
- 22 Company's tariff sheets and the GIS asset records. Other departments involved in the CCN

process will also continue to look for ways to clean up the process and improve compliance
 ownership opportunities.

3 Q. HOW AND WHY DOES THE COMPANY PROPOSE TO HANDLE THE AUDIT 4 FINDINGS IN THIS PROCEEDING?

5 A. The Company has chosen to treat this CCN audit as a rate case item instead of a single-6 issue item outside of a rate case. The Company is viewing the results of the audit as a 7 chance to update Tariff Sheet Nos. 21-21.16. These changes will be noted in the Company 8 MFRs.

9 Q. IS STAFF IN AGREEMENT WITH THIS TREATMENT?

- A. At this time, the Company is unsure of Staff's position with respect to the treatment of this audit. Spire Missouri reached out to Staff prior to this rate case filing but was unable to find a suitable time to discuss the treatment of the audit. However, the Company is open to working with Staff on an agreed upon path forward on this issue.
- 14

V. <u>ADJUSTMENTS TO OPERATING INCOME</u>

15 Q. PLEASE EXPLAIN THE ADJUSTMENTS TO OPERATING INCOME FOR 16 SPIRE MISSOURI.

A. I am sponsoring adjustments to revenues to reflect the appropriate level of test year margin from off-system sales and capacity releases for Spire Missouri. Additionally, I am sponsoring adjustments to the net operating revenues.

20 VI. <u>OFF-SYSTEM SALES AND CAPACITY RELEASE</u>

21 Q. PLEASE EXPLAIN THE ADJUSTMENTS RELATED TO MARGINS

- 22 RETAINED BY SPIRE MISSOURI FROM OFF-SYSTEM SALES AND
- 23 CAPACITY RELEASES IN MORE DETAIL.

A. In accordance with our tariff, Spire Missouri is allowed to retain 25% of the pre-tax margins
realized from its off-system sales and capacity releases. Consistent with its tariff, these
adjustments eliminate the Company's portion of income realized in utility operating
income during the test year. This specific income should not be considered revenue that
will be present on an ongoing basis and because of this, the Company has omitted including
these revenues from the test year revenues.

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VII. WEATHER NORMALIZATION

8 Q. WHAT IS WEATHER NORMALIZATION AND WHAT IS THE RELEVANCE 9 OF THIS PROCESS IN A RATE CASE?

10 A. Weather normalization is the process that adjusts energy consumption to account for 11 normal weather conditions. Because Spire Missouri's customer base is primarily 12 comprised of space-heating customers, weather is the major driver for the levels of 13 revenues and gas costs incurred throughout a 12-month period. Therefore, test year margins 14 must be adjusted to a weather normalized basis.

Q. WHAT IS THE ADJUSTMENT MADE FOR WEATHER NORMALIZATION AND WHAT IS THE IMPACT/RESULT?

A. The revenue adjustment to test year revenues is shown in Schedule G-1 in both EABMOE1 and EAB-MOW1 on Line 2.

19

Q. SPIRE MISSOURI HAS A WEATHER NORMALIZATION RIDER ALREADY.

- 20 WHY IS SPIRE MISSOURI MAKING THIS ADJUSTMENT IN THIS CASE?
- A. As discussed in Company Witness David Yonce's direct testimony, Spire Missouri is
 proposing to replace its current Weather Normalization Adjustment Rider ("WNAR"),
 which has been in effect since the conclusion of Docket Nos. GR-2017-0215/0216, with a

new mechanism. However, even with the current weather rider, weather volatility,
especially within the heating months of November to April, can impact monthly margins.
The weather normalization adjustment restates test year volumes and associated revenues
for the residential and general service customer classes to reflect volumes and revenues
that would have been experienced if normal weather had occurred during this test year.

6 Q. WHAT MEASURE OF NORMAL WEATHER DID YOU USE FOR THE 7 ADJUSTMENT?

A. Spire Missouri engaged a weather consulting firm, Atmospheric G2 ("AG2"), which
provided a comprehensive weather analysis of Spire Missouri's service territories. The
data was compiled from the St. Louis station, which is located at Lambert International
Airport, and from the Kansas City station located at the Kansas City International Airport.

12 Q. WHAT WAS SPIRE MISSOURI'S RATIONALE FOR UTILIZING A WEATHER

13 CONSULTANT?

A. The standard 30-year normal has been the accepted definition of normal weather for decades. The National Oceanic and Atmospheric Administration ("NOAA") defines a climate normal as the arithmetic mean of a climatological element computed over three consecutive decades. However, NOAA has acknowledged that its averages from 1991-2020 are the warmest on record for the country². Spire Missouri has felt the effects of that warming weather pattern and decided to take a deeper look at how to better reflect the warming trends.

² Retrieved on November 11, 2024, <u>NOAA Delivers New U.S. Climate Normals | News | National Centers for</u> Environmental Information (NCEI).



U.S. ANNUAL TEMPERATURE COMPARED TO 20th-CENTURY AVERAGE

2 Q. PLEASE EXPLAIN THE RESULTS OF THE AG2 ANALYSIS.

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A. Spire Missouri had requested that AG2 look at a 10-year normal, 30-year normal and AG2's "Smart Normal," which uses a trend adjusted statistical model to produce normal weather data. In short, AG2 performed an evaluation of the statistical fit of each of the three normal weather patterns relative to recent temperatures. AG2 stated that in its experience, the use of the standard 30-year normal typically results in a colder bias in estimating future temperatures. AG2's Confidential Evaluation is attached to my testimony as Sch. TEL-1.

10 Q. WHAT LEVEL OF HEATING DEGREE DAYS ARE BEING SPONSORED IN 11 YOUR ADJUSTMENTS FOR SPIRE MISSOURI?

12 A. Given all the data, Spire Missouri chose to use AG2's recommendation of a 10-year normal

13 for the weather adjustment. For Spire Missouri East's service territory, a 10-year normal

- 14 of 4,240 HDDS, were calculated and used. For Spire Missouri West's service territory, a
- 15 10-year normal of 4,855 HDDs were calculated and used.

³Retrieved November 20, 2024, <u>Climate change and the 1991-2020 U.S. Climate Normals | NOAA Climate.gov</u>.

1

Q. ARE THERE OTHER REASONS FOR USING THE 10-YEAR NORMAL?

A. Yes. The 10-year normal is much more reflective of current weather conditions. In fact,
Spire Missouri's most recent WNAR filing is a perfect example of that. The Company's
most recent WNAR filing was over \$50 million. This is a significant amount and a WNAR
filing should not be this large if baseline revenues are adjusted appropriately to reflect
current normal weather conditions.

7 Q. WHAT IS THE IMPORTANCE OF USING HEATING DEGREE DAYS ON A 8 BILLING CYCLE BASIS?

9 A. Heating Degree Days ("HDDs") recorded on a calendar basis have been converted to a billing
10 cycle basis to reflect the cycle method of billing that Spire Missouri uses. Although revenue
11 is recognized on a calendar month basis for financial reporting purposes, to record revenues
12 and the related cost of gas for all gas delivered during a month, the underlying records are
13 maintained on a billing cycle basis.

14 Q. PLEASE EXPLAIN THE WEATHER NORMALIZATION ADJUSTMENT 15 METHOD AND CALCULATION FOR SPIRE MISSOURI.

Weather-related volume adjustments and revenues are based on statistical relationships 16 A. 17 between volumes and temperatures. A regression analysis was used to aid in this adjustment. The output from the regression analysis was used to calculate a normal 18 19 monthly use per bill for the residential and general service classes. The use per bill amounts 20 for each month of the test year were then multiplied by the number of actual bills in each test year month to calculate a normalized volume adjustment for each rate of the above-21 22 mentioned service classes. These adjustments were then applied to the current rate design 23 to calculate the adjustments to net revenues for each rate class. This revenue adjustment to

test year margin is shown on Line 2 of Schedule G-1 in both EAB-MOE1 and EAB MOW1.

3 Q. DOES THE COMPANY HAVE AN ALTERNATIVE IF THE 10-YEAR NORMAL 4 IS NOT ACCEPTED?

5 Yes. In the scenario that Staff does not accept Spire Missouri's proposal of using a 10-year A. 6 normal, Spire Missouri would recommend a 15-year normal. NOAA points to Supplemental Temperature Normals that may better reflect recent climate information that 7 can then be a better predictor for energy system loads through the 2020s.⁴ Nations around 8 9 the world are updating their climate norms to reflect the 1991-2020 period, as mandated by the World Meteorological Organization ("WMO"),⁵ but researchers still argue that 10 climatological periods shorter than 30 years could be more accurate for monthly 11 12 temperature averages used in the near future.

13

VII. <u>CONSERVATION IMPACTS</u>

14 Q. IS THE COMPANY CONSIDERING ANY IMPACTS OF CONSERVATION?

15 A. Yes. The Company's average use per customer has continued to decline and if the

16 Distribution Service Adjustment ("DSA") being proposed by Spire Missouri Witness

17 David Yonce is not approved, the Company is proposing a conservation adjustment to

- 18 revenue to account for the revenue impacts the Company has experienced from
- 19 conservation, as allowed by statute. Spire Missouri has included an adjustment of zero as
- a placeholder on Line 6 of Schedule G-1 in both EAB-MOE1 and EAB-MOW1, but will
- 21 update the conservation revenue impact if the DSA is not adopted.

⁴ Retrieved November 20, 2024, <u>NOAA releases new climate normals for the U.S. - The Washington Post</u>.

⁵ Id.

IX. <u>CUSTOMER VARIANCE ADJUSTMENT</u>

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Q. PLEASE EXPLAIN THE REVENUE ADJUSTMENT MADE TO RELFECT CHANGES IN THE RESIDENTIAL CLASS FOR SPIRE MISSOURI.

A. This adjustment can be found on Line 4 of Schedule G-1 in both EAB-MOE1 and EABMOW1. The adjustment reflects the Company's revenues associated with net customers
associated with disconnects and reconnects in the residential rate class throughout the test
year. Spire Missouri took the net customers added or lost in each month during the test
year and calculated the unrealized Ccf usage and unrealized revenues per month during the
test year.

10 Q: PLEASE EXPLAIN ANY REVENUE ADJUSTMENT MADE TO REFLECT 11 CHANGES IN THE SMALL GENERAL AND LARGE GENERAL SERVICE 12 CLASSES FOR SPIRE MISSOURI.

A: This adjustment can be found on Line 3 of Schedule G-1 in both EAB-MOE1 and EAB-13 14 MOW1. The adjustment reflects the Company's revenues associated with SGS/LGS Rate Class Switching. To calculate this adjustment, Spire Missouri looked at the customer 15 16 account usage during the test year in both the SGS and LGS rate classes for both Spire Missouri East and Spire Missouri West. By doing this, the Company was able to see which 17 customers needed to be moved from one rate class to the other based on the 10,000 Ccf 18 19 threshold. Once the number of accounts were identified, current rates for customer charges 20 and distribution charges were applied on a cumulative basis resulting in the total adjustment for each SGS and LGS rate class. 21

Q. PLEASE EXPLAIN THE REVENUE ADJUSTMENT MADE FOR SPIRE MISSOURI'S NEGOTIATED GAS SERVICE RIDER.

7	Q.	DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
6		X. <u>CONCLUSION</u>
5		This adjustment can be found on Line 5 of Schedule G-1 in EAB-MOW1.
4		alternatively would be recovered from the pricing provisions in the Negotiated Contract.
3		would be recovered from the general availability tariff compared to the revenues that
2		annual revenues from the Negotiated Contract as the difference between the revenues that
1	A.	Per the Company's current Sheet No. R-34, the Company shall quantify the change in

8 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 Service Provided in the Company's Missouri Service Areas

)

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File No. GR-2025-0107

VERIFICATION OF TRISHA E. LAVIN

STATE OF MISSOURI CITY OF ST. LOUIS

I, Trisha E. Lavin, of lawful age, under penalty of perjury, and pursuant to Section 509.030, RSMo, state as follows:

I. My name is Trisha E. Lavin. I am the Senior Analyst, 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.

Trisha E. Lavin

November 25, 2024

Date