

Exhibit No.:
Issue(s): Prepayments, Customer
Advances, Customer
Deposits, Materials and
Supplies, Natural Gas
Inventory, Rents and
Leases Expense, Insurance
Expense, and Fuel Expense
Equipment & Vehicles
Witness: Christopher L. Boronda
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2025-0107
Date Testimony Prepared: April 23, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

CHRISTOPHER L. BORONDA

**SPIRE MISSOURI INC.,
d/b/a Spire**

CASE NO. GR-2025-0107

*Jefferson City, Missouri
April 2025*

INTRODUCTION

EXECUTIVE SUMMARY

A. The purpose of my direct testimony is to present Staff's recommendations for Spire Missouri Inc., d/b/a Spire ("Spire Missouri") regarding: Prepayments,

1 Customer Advances, Customer Deposits, Materials and Supplies, Natural Gas Inventory,
2 Rents and Leases Expense, Insurance Expense, and Fuel Expense – Equipment & Vehicles.

3 **PREPAYMENTS**

4 Q. What are prepayments?

5 A. Prepayments are the costs a company incurs and pays in advance. For example,
6 Spire Missouri pays in advance for insurance premiums and rents. Since there are investment
7 costs incurred by the utility when it prepays expenses, the utility is allowed to earn a return on
8 these amounts through inclusion in rate base. As the goods are consumed or the service period
9 elapses, an amount is charged to an expense account in the income statement.

10 Q. Has Staff proposed any adjustments to prepayments?

11 A. Yes. Staff did not include Missouri Energy Development Association
12 (“MEDA”) dues, regional economic development dues, civic council dues,
13 American Gas Association dues, sporting event season tickets, PSC annual assessment fees,
14 executive life insurance, and computer maintenance purchases. Staff made an adjustment to
15 exclude these costs from the prepayment balances prior to performing calculations to determine
16 the appropriate amount.

17 Q. Why did Staff exclude these costs from prepayment balances?

18 A. The Uniform System of Accounts¹ (“USOA”) describes Account 165
19 Prepayments, as payments for undelivered gas, rents, taxes, insurance, interest, and like
20 disbursements made prior to the period to which they apply. The disallowed items reviewed
21 were determined not to meet the USOA description for prepayments so the company is not

¹ Gas USOA, 18 CFR Ch1 Part 201 pg. 589 (April 1, 2004).

1 being allowed a return on the prepayment and a return of the expense. Staff determined that it
2 is necessary to identify which expenses do not have a service period similar to insurance and
3 rent expenses, or are for goods that are consumed. In addition, staff identified certain
4 prepayments that are not necessary to operate and do not benefit rate payers so Spire Missouri
5 should not earn a return on these items.

6 Q. What is Staff's recommended level of prepayments?

7 A. Staff recommends to include in rate base for Spire Missouri a 13-month average
8 of prepayments balances, modified for the items above, as of December 31, 2024.
9 Staff will update prepayments as part of its true-up, ending May 31, 2025.

10 **CUSTOMER ADVANCES**

11 Q. What are customer advances?

12 A. Customer advances are funds provided by individual construction developers to
13 Spire Missouri to assist in the costs of the provision of gas service in areas that have potential
14 for future development. These advances are used by the utility to establish service for potential
15 future customers without investing a substantial amount of money at the risk of the utility and
16 its other customers. The infrastructure constructed with these funds is not financed with debt or
17 equity, and thus ratepayers should not be obligated to pay a return on these plant investments.
18 Therefore, customer advances are a reduction to rate base.

19 Q. Did Staff perform a review of customer advances?

20 A. Yes. Staff has included a 13-month average of customer advances account
21 balances ending December 31, 2024, as an offset to rate base. Staff will update customer
22 advances as part of its true-up audit, ending May 31, 2025.

CUSTOMER DEPOSITS

Q. What are customer deposits?

A. Customer deposits represent funds received from a utility company's customers as security against potential loss arising from failure to pay for utility service. These deposits are available to the utility for general use and are included as an offset to the rate base investment.

Q. Is Spire Missouri required to return the deposits back to customers?

A. Yes. After 12 months of successful consecutive payments, Spire Missouri is required by its current tariff² to return the funds to the customer, plus accrued interest.

Q. Is customer deposit interest included in Spire Missouri's cost of service?

A. Yes. Since Spire Missouri is required to refund the customer deposit with interest, a reasonable level of interest is included in the cost of service.

Q. How is interest determined?

A. Consistent with Spire Missouri's tariff, Staff applied the prime interest rate published in the Wall Street Journal (8.50% at 12/31/23) plus 100 basis points, for a total of 9.50% for its recommended customer deposit balance. Staff will update customer deposits and interest on these deposits as part of its true-up period ending May 31, 2025.

Q. Please explain Staff's recommended level of customer deposits included in rate base and corresponding adjustment for interest expense.

A. Staff included a 13-month average of customer deposits ending December 31, 2024, in rate base. Similarly, the interest expense amount calculated on customer

² P.S.C. Mo. No. 9 Original Sheet No. R-5.4

1 deposits has also been included as an adjustment to the income statement. The annual amount
2 of customer deposit interest expense was determined based on Staff's 13-month average of
3 customer deposits. Staff will update customer deposits as part of its true-up audit,
4 ending May 31, 2025.

5 **MATERIALS AND SUPPLIES**

6 Q. Why are materials and supplies included in rate base?

7 A. Materials and supplies consist of natural gas piping, connections for service and
8 main repairs, gas regulators, and spare parts necessary to operate the local distribution natural
9 gas system. For the purpose of developing the rate base, these items are included in the
10 calculation of rate base because they are typically purchased with investors' funds.

11 Q. How did Staff review materials and supplies for this case?

12 A. To determine the most appropriate level of materials and supplies to include in
13 Spire Missouri's rate base going forward, Staff reviewed each individual account's monthly
14 balances over the last several years.

15 Q. What did Staff determine based on that review?

16 A. Since the monthly balances fluctuate over time without any consistent upward
17 or downward trend, Staff included a 13-month average of materials and supplies inventory
18 ending December 31, 2024, in rate base. Staff will update materials and supplies accordingly
19 as part of its true-up audit, ending May 31, 2025.

20 **NATURAL GAS INVENTORY**

21 Q. Why are Spire Missouri's natural gas inventories included in rate base?

22 A. Each summer season when natural gas demand is very low, Spire East and
23 Spire West purchase and store natural gas to meet its customers' needs during the winter season.

1 Spire East stores its natural gas in its owned Lange natural gas underground storage
2 field – located north of St. Louis. The stored natural gas represents an investment for
3 Spire East and, therefore, is included in rate base where Spire Missouri has an opportunity to
4 earn return on it.

5 Spire East also utilizes Mississippi River Transmission (“MRT”) as an additional source
6 of natural gas supply during the cold season. Spire West utilizes gas storage through the
7 Southern Star Central Gas Pipeline and the Panhandle Eastern Pipeline.

8 Q. What rate base treatment has Staff recommended for natural gas inventories for
9 Spire East and Spire West?

10 A. Staff has reviewed all gas inventories for Spire Missouri for the period of
11 October 30, 2022, through December 31, 2024. Staff has included a 13-month average ending
12 December 31, 2024, as an appropriate level of natural gas inventory to include in rate base.
13 Staff has included Spire East’s gas inventories in rate base to be consistent with the Commission
14 Order in Case No. GR-2017-0215³ and the ratemaking treatment for Spire West gas inventories.
15 Staff has also included Spire West’s firm capacity for the Southern Star Central Gas Pipeline
16 and the Panhandle Eastern Pipeline⁴. Staff will update natural gas inventories as part of its
17 true-up audit, ending May 31, 2025.

³ Case No. GR-2017-0215, Amended Report and Order, page 65-68, filed on March 7, 2018. Commission Decision Summary: The Commission unified Spire Missouri gas storage costs to allow both East and West to use rate base treatment for gas storage.

⁴ Firm capacity is the amount of gas available for production or transmission which can be, and in many cases must be, guaranteed to be available at a given time.

RENTS AND LEASES EXPENSE

Q. What is Spire Missouri's rent and lease expenses?

A. Spire Missouri incurs lease expense for rental of buildings, equipment, vehicles, etc. Spire Missouri is currently leasing its corporate headquarters located at 700 and 800 Market Street in St. Louis, Missouri. The cost of these leases is allocated between the various regulated and non-regulated entities of Spire Missouri. In order to reduce maintenance and lease expenses, Spire Missouri will not be renewing their 800 Market Lease which ends July 31, 2025, according to the Direct Testimony of Spire Missouri witness Eric Bouselli⁵.

Q. What is Staff's annualized expense for the rents and lease expense?

A. Staff reviewed Spire Missouri's lease agreements in place during calendar years 2022, 2023, and 2024. Staff annualized lease expenses based on the most current lease costs and removed any expiring leases. Staff will re-examine rent and lease expense as part of its true-up audit, ending May 31, 2025.

INSURANCE EXPENSE

Q. What is insurance expense?

A. Insurance expense is the cost of protection obtained from third parties by utilities against the risk of financial loss associated with unanticipated events or occurrences. Utilities, similar to non-regulated entities, routinely incur insurance expense to minimize their liability, and potentially that of their customers, associated with unanticipated losses. Spire Inc. carries the insurance policies for Spire Missouri as well as for its other affiliates, the costs of

⁵ Spire – Bouselli Confidential Direct Testimony pg. 25 lines 5-6

1 which are allocated to the affiliates. Spire Missouri's insurance consists of the following types
2 of coverage:

- 3 • Directors and Officers liability insurance
- 4 • Workers' compensation – which covers all employees
- 5 • General and Excess Liability – protects from all liability claims against the company
- 6 • Property – protects tangible property
- 7 • Fiduciary Liability - general coverage including theft, forgery, fraud, terrorism, etc.

8 Insurance premiums are paid in advance, before the policy goes into effect, and most of the
9 insurance policies cover a twelve-month period. In sum, insurance costs are treated as
10 prepayments with the premiums recorded as an asset that is amortized to expense over the life
11 of the insurance policy.

12 Q. What level of insurance expense has Staff included in its cost of service?

13 A. Staff has calculated Spire East and Spire West's annualized insurance expense
14 by including the most current premium as of December 31, 2024, in the revenue requirement.
15 Staff will re-examine insurance expense as part of its true-up audit, ending May 31, 2025.

16 **FUEL EXPENSE – EQUIPMENT & VEHICLES**

17 Q. What level of equipment and vehicle fuel expense has Staff included in its
18 cost of service?

19 A. Staff reviewed Spire Missouri's equipment and vehicle fuel expense from
20 October 31, 2022, through December 31, 2024, and used a 2-year average to determine the
21 appropriate fuel expense. Staff will re-examine equipment and vehicle fuel expenses
22 accordingly as part of its true-up audit, ending May 31, 2025.

23 Q. Does this conclude your direct testimony?

24 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)

Case No. GR-2025-0107

AFFIDAVIT OF CHRISTOPHER BORONDA

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW CHRISTOPHER BORONDA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Christopher Boronda*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.




CHRISTOPHER BORONDA

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of April 2025.





Notary Public

Christopher Boronda

Educational, Employment Background and Credentials

I am employed by the Missouri Public Service Commission (“Commission” or “PSC”) as a Utility Regulatory Auditor. I have been employed by the Commission since October 2024.

I graduated from Washington State University in 2021 with a Bachelor’s degree in Business Administration, majoring in Accounting. Prior to working for the PSC, I worked for the Missouri State Auditor’s Office from 2021 through 2024.

Case Participation

| Company Name | Case Number(s) | Testimony/Issues |
|----------------------------------|----------------|---|
| Missouri-American Water Company | WR-2024-0320 | Material and Supplies, Customer Advances, Credit Card Fees, Property Taxes, and PSC Assessment |
| Empire District Electric Company | ER-2024-0261 | Plant in Service, Depreciation Reserve, Operations & Maintenance Normalization, and Software Maintenance Expense |
| Spire Gas | GR-2025-0107 | Materials & Supplies, Prepayments, Customer Deposits and Interest on Customer Deposits, Customer Advances, Rents and Leases Expense including Communication Equipment, Insurance Expense, Fuel Expense – Equipment and Vehicles |