

Exhibit No.:

Issue(s):

Depreciation

Amortization

O&M

Rate Base Adjustments

Pension Expense

Weatherization and Energy

Efficiency

Witness:

Eric Bouselli

Type of Exhibit:

Rebuttal Testimony

Sponsoring Party:

Spire Missouri Inc.

Case Nos.

GR-2025-0107

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SPIRE MISSOURI INC.

GR-2025-0107

REBUTTAL TESTIMONY

OF

ERIC BOUSELLI

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REBUTTAL TESTIMONY OF ERIC BOUSELLI

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. ARE YOU THE SAME ERIC BOUSELLI THAT SUBMITTED DIRECT TESTIMONY IN THIS CASE?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to address various issues and positions taken by Staff of the Missouri Public Service Commission (“Staff”) witnesses Nathan Bailey, CPA, Antonija Nieto, Lindsey Smith, Keith Majors, Christopher L. Boronda, Sydney Ferguson, Melanie Marek, and Matthew R. Young, Missouri Office of the Public Counsel (“OPC”) witnesses John A. Robinett and Angela Schaben, and Missouri Industrial Energy Consumers (“MIEC”) witness Meyer relating to Spire Missouri Inc.’s (“Spire Missouri” or the “Company”) depreciation and amortization expense, certain operations and maintenance (“O&M”) costs, rate base, pension costs, other post-employment benefits (“OPEBs”) costs, and supplemental employee retirement plan (“SERP”) expenses, and Weatherization and Energy Efficiency programs.

II. RATE BASE IMPACTING ITEMS

A. RWIP Treatment

Q. STAFF WITNESS BAILEY MADE CERTAIN RECOMMENDATIONS REGARDING THE TREATMENT OF ACCUMULATED DEPRECIATION

1 **RESERVE BALANCES IN SPIRE MISSOURI'S COST OF SERVICE ON PAGE 6**
2 **OF HIS TESTIMONY, INCLUDING THE ADDITION OF A LINE ITEM IN THE**
3 **ACCUMULATED DEPRECIATION RESERVE SCHEDULE TO IDENTIFY THE**
4 **RETIREMENT WORK IN PROGRESS ("RWIP") AMOUNT RELATING TO**
5 **RETIRED PLANT AS OF THE END OF THE UPDATE PERIOD, DECEMBER 31,**
6 **2024. DO YOU AGREE WITH STAFF'S PROPOSALS REGARDING**
7 **ACCUMULATED DEPRECIATION RESERVE BALANCES?**

8 A. No. RWIP should be treated for rate base calculations in a similar manner to capital work
9 in progress ("CWIP"), which is excluded from rate base. If any work in progress is
10 included in rate base, all work in progress should be included. For distribution assets, the
11 main or service is not retired until the related replacement footage is put in service.
12 Completing the asset retirement prior to the new asset installation could not occur in the
13 field without customer service interruptions. For general plant assets, a retirement could
14 occur with no related purchase, but no cost of removal would be incurred in this case.

15 B. Rate Base – 13 Month Average Items

16 Q. **STAFF WITNESS BORONDA RECOMMENDS SPIRE MISSOURI INCLUDE**
17 **CUSTOMER ADVANCES AND CUSTOMER DEPOSITS AS RATE BASE**
18 **OFFSETS AND MATERIALS AND SUPPLIES AND NATURAL GAS**
19 **INVENTORY IN RATE BASE/OFFSET TO RATE BASE USING THE 13-MONTH**
20 **AVERAGE ENDING BALANCES WITH THE BALANCES TO BE UPDATED**
21 **THROUGH MAY 31, 2025. DO YOU AGREE?**

22 A. Yes. Spire Missouri agrees with this approach and used this methodology in its direct filing.

1 **Q. STAFF WITNESS BORONDA FURTHER RECOMMENDS INCLUDING A 13-**
2 **MONTH AVERAGE OF PREPAYMENT BALANCES, AS MODIFIED BY**
3 **EXCLUDING THE FOLLOWING ITEMS: MISSOURI ENERGY**
4 **DEVELOPMENT ASSOCIATION (“MEDA”) DUES, REGIONAL ECONOMIC**
5 **DEVELOPMENT DUES, CIVIC COUNCIL DUES, AMERICAN GAS**
6 **ASSOCIATION DUES, SPORTING EVENT SEASON TICKETS, PSC ANNUAL**
7 **ASSESSMENT FEES, EXECUTIVE LIFE INSURANCE, AND COMPUTER**
8 **MAINTENANCE PURCHASES. HOW DO YOU RESPOND?**

9 A. Spire Missouri accepts some of the adjustments Staff made, however, Spire Missouri
10 believes Staff has misinterpreted the Uniform System of Accounts (“USOA”) Account
11 165.¹ The "like disbursements" language is broad, and Staff has arbitrarily taken an
12 unnecessarily restrictive approach. Staff is excluding costs that Staff has included in the
13 past and are a required part of providing safe and reliable service. The biggest item of
14 concern is Staff’s computer maintenance exclusion. They included Software as a Service
15 (“SaaS”) development costs in rate base but excluded the related computer maintenance
16 and annual license costs; such an approach does not make sense. These maintenance
17 expenses and license costs are a necessary cost of doing business.

18 **Q. DID ANY OTHER WITNESS PROPOSE ADJUSTMENTS THAT IMPACT THE**
19 **PREPAYMENT ACCOUNTS?**

20 A. Yes, OPC witness Schaben recommends that the Commission expense the MyCesium and
21 related services contracts rather than capitalizing them.

¹ Specifically, Staff witness Boronda states on page 2 of his testimony that “[t]he Uniform System of Accounts... (“USOA”) describes Account 165 Prepayments, as payments for undelivered gas, rents, taxes, insurance, interest, and **like disbursements** [emphasis added] made prior to the period to which they apply.”

1 **Q. DO YOU AGREE WITH WITNESS SCHABEN’S RECOMMENDATION FOR**
2 **MYCELIUM COSTS SPECIFICALLY AND HER THOUGHTS ON TREATMENT**
3 **OF CLOUD-BASED APPLICATIONS GENERALLY?**

4 A. No. Spire Missouri does not agree with this recommendation.

5 **Q. WHY DID SPIRE MISSOURI CHOOSE TO CAPITALIZE THE INVESTMENT**
6 **FOR MYCELIUM?**

7 A. MyCelium is an on-premise software solution that is integrated into our software
8 development lifecycle pipeline to manage code migrations effectively across our critical
9 business applications. It is software that is installed within our datacenter and should not
10 be considered a hosted cloud solution. We treat all enterprise software that we license as
11 a capital asset that we own and depreciate over the allowable life according to the
12 depreciation schedules established.

13 **Q. WHAT ARE THE MAIN DIFFERENCES IN TECHNOLOGY BETWEEN**
14 **HOSTED CLOUD SOLUTIONS VERSUS SOFTWARE THAT IS LICENSED AND**
15 **MAINTAINED ON A COMPANY’S INTERNAL DATACENTER?**

16 A. The main difference is the ownership around maintenance, upgrades, and security patching.
17 Internal-use and owned software is primarily managed by internal resources, and hosted
18 SaaS solutions are managed by the software vendor. Both platforms have a cost to serve
19 our customers, regardless of how the solution is contracted. In today’s technology
20 landscape, software vendors are investing significantly more in their hosted solutions as
21 well as having the expertise and knowledge to keep these software solutions up to date,
22 specifically with security practices. In addition, new capabilities are released and delivered
23 consistently in a cloud environment which can provide incremental value to our customers,

1 compared to large investments in technical upgrades in on-premise solutions every 3-4
2 years to manage support and risk accordingly. As part of our technology strategy, we stay
3 aligned with vendor roadmaps and conduct extensive due diligence when making decisions
4 related to the cloud offerings. Overall, the core functionality of the software is similar, and
5 the goal remains the same; to enable our business to provide critical functions and support
6 our customers in the most efficient manner possible.

7 **Q. STAFF WITNESS MAJORS STATES STAFF RECOMMENDS THE PROPANE**
8 **CAVERN INVESTMENT, INCLUDING THE 13-MONTH AVERAGE OF THE**
9 **BOOK VALUE OF PROPANE INVENTORIES, BE INCLUDED IN RATE BASE.**
10 **HOW DO YOU RESPOND?**

11 A. In short, the Company believes these assets are no longer used and useful for utility service
12 and therefore the customers should not pay for them. However, if the Commission decides
13 to keep the propane cavern in rate base, then the assets and related expenses should also be
14 included in rates. The propane inventory has traditionally been calculated on a 13-month
15 average, and Spire Missouri agrees with that treatment should the Commission determine
16 it should remain in rates. The direct and rebuttal testimony of Company witness Yonce
17 includes additional detail regarding the Company's view of the Propane operations and
18 assets.

19 C. Rate Base – True-Up and Discrete Adjustments

20 **Q. STAFF WITNESS BAILEY RECOMMENDS PLANT IN SERVICE AND**
21 **DEPRECIATION RESERVES BE UPDATED WITH TRUE-UP BALANCES AS**
22 **OF MAY 31, 2025. HOW DO YOU RESPOND?**

1 A. Spire Missouri agrees with using plant and depreciation reserve balances at the true-up date
2 in general. However, Spire Missouri proposes that limited discrete adjustments be included
3 in rates as well.

4 **Q. WILL YOU ELABORATE ON WHAT SPECIFIC DISCRETE PLANT**
5 **ADJUSTMENTS SPIRE MISSOURI IS PROPOSING AND HOW THIS DIFFERS**
6 **FROM SPIRE MISSOURI'S DIRECT FILING?**

7 A. Spire Missouri has significantly narrowed the discrete plant in services from its initial filing
8 and now will put forth a list of larger projects/investments anticipated to be in service after
9 the date of true-up but before the end of July. The largest component of this limited scope
10 of discrete items is for advanced meter installations. Spire Missouri estimates the discrete
11 rate base adjustments will be approximately \$26 million with a required return impact of
12 approximately \$2 million and depreciation expense impact of approximately \$800
13 thousand, but will provide an update on the value of these investments and expected impact
14 to depreciation expense at the time of Spire Missouri's true-up filing. These limited items
15 will be known and measurable, will not skew the matching principle, and will be in service
16 with sufficient time for Staff to review whether inclusion is appropriate or not.

17 D. Energy Efficiency and Financing Programs

18 **Q. STAFF WITNESS NIETO STATES STAFF EVALUATED THE REGULATORY**
19 **ASSET BALANCE FOR SPIRE MISSOURI'S ENERGY EFFICIENCY**
20 **PROGRAMS, INCLUDED THE UNAMORTIZED BALANCE IN RATE BASE,**
21 **AND WILL REVIEW THE UNAMORTIZED BALANCE THROUGH THE TRUE-**
22 **UP CUTOFF IN THIS RATE CASE, MAY 31, 2025. HOW DO YOU RESPOND TO**
23 **STAFF'S APPROACH?**

1 A. Spire Missouri agrees with the rate base treatment of these costs and that the unamortized
2 balances should be reviewed at true-up.

3 **Q. IN RELATION TO THE PAYS PROGRAM, STAFF WITNESS NIETO STATES**
4 **THAT FOR THE PURPOSE OF DIRECT FILING, STAFF HAS INCLUDED IN**
5 **RATE BASE AN UNAMORTIZED PROGRAM BALANCE AND STATES STAFF**
6 **WILL REVIEW THE ANNUAL AMORTIZATION THROUGH THE TRUE-UP**
7 **CUTOFF IN THIS RATE CASE, MAY 31, 2025. HOW DO YOU RESPOND TO**
8 **STAFF’S APPROACH TO THE PAYS PROGRAM?**

9 A. Spire Missouri agrees with this approach.

10 **Q. IN RELATION TO THE INSULATION FINANCING AND ENERGYWISE**
11 **PROGRAMS, STAFF WITNESS NIETO STATES STAFF HAS INCLUDED LOAN**
12 **BALANCES ASSOCIATED WITH EACH OF THESE PROGRAMS,**
13 **SEPARATELY FOR SPIRE MISSOURI EAST AND SPIRE MISSOURI WEST, AS**
14 **AN ADDITION TO RATE BASE AND THAT STAFF WILL CONTINUE TO**
15 **EXAMINE THESE LOAN BALANCES THROUGH THE MAY 31, 2025 TRUE-UP**
16 **CUTOFF. HOW DO YOU RESPOND TO STAFF’S APPROACH TO THE**
17 **INSULATION FINANCING AND ENERGYWISE PROGRAMS?**

18 A. Spire Missouri agrees with this approach and that the Insulation Financing and EnergyWise
19 Program balances will be updated for true-up. However, Spire Missouri has certain issues
20 with Staff’s current mechanics in determining the appropriate balance. Spire Missouri has
21 addressed the issue with Staff.

22 **Q. STAFF WITNESS NIETO STATES STAFF REVIEWED THE DEFERRAL**
23 **BALANCE OF THE LOW INCOME ENERGY AFFORDABILITY PROGRAM**

1 **FOR SPIRE MISSOURI AND INCLUDED THE UNAMORTIZED BALANCE IN**
2 **RATE BASE AND THAT STAFF WILL REVIEW THE UNAMORTIZED**
3 **BALANCE THROUGH THE TRUE-UP CUTOFF IN THIS RATE CASE, MAY 31,**
4 **2025. HOW DO YOU RESPOND TO STAFF’S APPROACH TO ITS REVIEW OF**
5 **THE LOW INCOME ENERGY PROGRAM COSTS?**

6 A. Spire Missouri agrees with this approach and that the balances should be updated for true-
7 up.

8 E. Cash Working Capital – Income Tax Expense

9 **Q. STAFF WITNESS MAJORS STATED THAT SPIRE ALABAMA AND SPIRE,**
10 **INC. FEDERAL AND STATE LOSS CARRYFORWARDS ARE RELEVANT TO**
11 **SPIRE MISSOURI’S INCOME TAX SITUATION. DO YOU AGREE?**

12 A. No. From a regulatory perspective, Spire Missouri is the entity associated with this rate
13 case. From an income tax perspective, Spire Missouri is part of a consolidated tax return
14 filing that includes these other entities. The loss carryforwards of these other entities will
15 impact the timing of when the consolidated group will pay cash taxes. However, Spire
16 Missouri’s separate company activity should be analyzed to assess the determination of
17 when it will theoretically be in a position to pay current taxes. Spire Missouri’s net
18 operating loss carryforward on a separate company basis as estimated at September 30,
19 2024, is expected to be fully utilized sometime over the next two tax years. Once the loss
20 carryforwards for Spire Missouri have been fully utilized on a separate company basis, the
21 cash working capital methodology should be reevaluated.

22 **Q. ARE THERE ANY OTHER CONCERNS ABOUT THE INCOME TAX IMPACT**
23 **ON THE CASH WORKING CAPITAL ANALYSIS?**

1 A. Company witness Lyons discusses the Company's position on the 365-day lag
2 consideration for income taxes.

3 **III. OPERATING INCOME IMPACTING ITEMS**

4 A. Payroll and Allocations

5 **Q. WILL YOU PLEASE SUMMARIZE STAFF'S APPROACH TO NORMALIZING**
6 **ANNUALIZED PAYROLL IMPACTING THE COST OF SERVICE?**

7 A. Yes. Staff reviewed actual assigned payroll costs and the allocation of these costs for Spire
8 Missouri and calculated payroll by multiplying the actual employee levels by the wage rate
9 or salary as of the test year ending September 30, 2024. This results in an annualized level
10 of payroll costs. They then apply an overtime estimate using a 3-year average ending
11 September 30, 2024, for both non-union and union overtime. Once overtime was added,
12 Staff multiplied Spire Missouri East and Spire Missouri West payroll cost by each entity's
13 respective O&M factor and then distributed those amounts proportionally between each
14 entity's individual employment expense accounts.

15 **Q. DO YOU AGREE WITH THIS APPROACH?**

16 A. I agree in general. However, upon review of Staff's adjustment calculations I observed a
17 few mechanical errors. Spire Missouri met with Staff to discuss the issues and expects them
18 to be resolved. I will address some specific components of Staff's normalization exercise
19 below as needed to clarify items for all parties. Additionally, these payroll estimates will
20 be updated during true-up using employee and salary information as of May 31, 2025.

21 **Q. STAFF WITNESS MAJORS RECOMMENDS UTILIZING THE ANNUALIZED**
22 **ALLOCATION FACTORS CURRENTLY IN EFFECT FOR FISCAL YEAR 2024**

1 **FOR CALCULATING THE COST OF SERVICE FOR SPIRE MISSOURI EAST**
2 **AND SPIRE MISSOURI WEST. DO YOU AGREE WITH THIS PROPOSAL?**

3 A. Yes. Spire Missouri supports this conclusion as the Fiscal Year 25 factors have not changed
4 materially from the Fiscal Year 24 test year.

5 **Q. DO YOU AGREE WITH OPC WITNESS SCHABEN’S RECOMMENDATION**
6 **THAT THE COMMISSION ORDER THAT SPIRE MISSOURI EAST’S SHARED**
7 **SERVICES PAYROLL BE ALLOCATED AT 36% INSTEAD OF 42%, WHICH**
8 **WILL REDUCE SPIRE MISSOURI EAST’S SHARE OF SHARED SERVICES**
9 **PAYROLL BY \$2,830,363.43?**

10 A. No. I reviewed witness Schaben’s testimony and analysis that led to her conclusion.
11 However, her interpretation of the data and resulting application is incorrect.

12 **Q. HOW DID OPC WITNESS SCHABEN MISINTERPRET THE ALLOCATION**
13 **RATE DATA?**

14 A. Ms. Schaben correctly went to the information Spire Missouri provided in its cost
15 allocation manual (“CAM”) filing. Within that filing, Spire Missouri provides detailed
16 data on the costs allocated to Spire Missouri and other affiliates. The information provided
17 includes various views of allocated costs such as total costs and more specific views that
18 only include salaries and wages. Spire Missouri used the table called “3) Non-capital
19 costs* allocated FROM Spire Services to affiliates by allocation type (**salaries & wages**
20 **only**)” [emphasis added] sourced from the fiscal year 2024 CAM filing as the basis for the
21 allocation factors used in the Company’s payroll normalization analysis and adjustment.
22 Within that table, there are various groupings of allocated payroll dollars such as “company
23 wide”, “gas utility”, “MO utility only”, and Spire Missouri used the weighted average

1 percentage of these groupings and applied them to targeted shared services groups when
2 normalizing payroll for this case. Additionally, there is a section for “SE utility only”
3 payroll and allocations; Spire Missouri did not include any payroll for employees that only
4 serve the Southeast utilities when normalizing payroll for this case. However, Ms. Schaben
5 tried to use a weighted average rate that included all of the allocated payroll no matter the
6 distribution of that payroll and applied this incorrect, artificially reduced rate, to the Spire
7 Missouri-identified employees whose payroll should be spread company wide.

8 **Q. HOW DID THIS IMPACT OPC’S CONCLUSION REGARDING SHARED**
9 **SERVICES PAYROLL ADJUSTMENTS?**

10 A. Using the incorrect rate led Ms. Schaben to use an artificially low allocation percentage to
11 the payroll which, in turn, led to OPC’s proposed adjustment to lower test year payroll. If
12 the correct rate was used, then OPC would have reached a similar result as Spire Missouri.

13 **Q. REGARDING ANY SPIRE MISSOURI EMPLOYEE WAGES IDENTIFIED AS**
14 **BEING LOBBYING RELATED, STAFF WITNESS BAILEY STATES STAFF**
15 **EITHER DID NOT INCLUDE OR INCLUDED AT A REDUCED PERCENTAGE**
16 **RESPECTIVELY IN PAYROLL CALCULATIONS IN THE COST OF SERVICE.**
17 **HOW DO YOU RESPOND TO THIS REMOVAL OR REDUCTION?**

18 A. Spire Missouri is not opposed to this and proposed a 50% reduction adjustment for
19 specified employees in its direct filing.

20 **Q. STAFF WITNESS BAILEY STATES FOR MISSOURI BASED EMPLOYEES**
21 **PROVIDING SHARED SERVICES, THE PAYROLL ALLOCATED TO NON-**
22 **SPIRE MISSOURI ENTITIES WAS REMOVED FROM SPIRE MISSOURI’S**
23 **COST OF SERVICE. HOW DO YOU RESPOND?**

1 A. Spire Missouri agrees with this approach and used this methodology in its direct filing.
2 However, Spire Missouri has issues with Staff’s mechanics and will work with them to
3 correct if needed. Additionally, these payroll estimates will be updated during true-up using
4 employee and salary information as of May 31, 2025.

5 **Q. ARE THERE ANY OTHER PAYROLL RELATED ISSUES THAT YOU WOULD**
6 **LIKE TO ADDRESS?**

7 A. Yes, I would like to note that Spire Missouri believes there is strong rationale for including
8 the proposed discrete adjustments for union and non-union wage increases. Please see my
9 discussion on discrete adjustments impacting the cost of service further below.

10 B. Incentive Compensation

11 **Q. BOTH STAFF AND THE OPC MADE OR RECOMMENDED ADJUSTMENTS**
12 **RELATED TO INCENTIVE COMPENSATION. WILL YOU GIVE A BRIEF**
13 **OVERVIEW OF WHAT TYPES OF INCENTIVE COMPENSATION SPIRE**
14 **MISSOURI OFFERS ITS EMPLOYEES AND WHY IT MAY BE APPROPRIATE**
15 **TO INCLUDE OR EXCLUDE THOSE ITEMS?**

16 A. Spire Missouri offers its employees both long-term incentive compensation under the
17 Equity Incentive Plan (“EIP”) as well as short-term or annual incentive compensation
18 under the Annual Incentive Plan (“AIP”). The EIP is available to select employees while
19 the AIP is offered to all employees. The AIP uses multiple metrics including company,
20 business unit, and individual performance measures. The EIP and AIP corporate metrics
21 have historically been excluded from rates because they were deemed to be earnings-based
22 incentives that primarily benefited the shareholders. Spire Missouri agrees that it is
23 acceptable to exclude incentive compensation based on earnings-based measures from

1 rates. In this rate case, Spire Missouri proposed recovering a portion of the corporate
2 component of AIP. In December 2021, the corporate metric was changed from a net
3 economic earnings per share metric to adjusted operating income across Spire's different
4 operating segments. Non-utility adjusted operating income is 10% of the corporate metric
5 weighting. An estimate of this non-utility weighting was made and removed from the test
6 year expenses.

7 **Q. STAFF WITNESS BAILEY STATES STAFF HAS ADJUSTED THE TEST YEAR**
8 **TO REMOVE SHORT-TERM INCENTIVES FROM SPIRE MISSOURI'S COST**
9 **OF SERVICE. DO YOU AGREE WITH THIS ADJUSTMENT?**

10 A. After reviewing Staff's workpapers, it appears that Staff made a similar adjustment
11 accounting for the revised corporate metric and removed the non-utility component like
12 Spire Missouri proposed. It is my understanding that all other previously allowed AIP was
13 intended to be included and reflected in Staff's accounting schedules.

14 **Q. STAFF WITNESS BAILEY STATES STAFF REMOVED THE TEST YEAR**
15 **LONG-TERM INCENTIVE COMPENSATION EXPENSE, WHICH HE STATES**
16 **IS IN LINE WITH PRIOR COMMISSION RULINGS AND SPIRE MISSOURI**
17 **RATE CASES. HOW DO YOU RESPOND TO THIS REMOVAL?**

18 A. Spire Missouri agrees with this removal and proposed a similar adjustment in its direct
19 filing. Spire Missouri does not currently recover expenses associated with earnings based
20 long-term incentive compensation in rates and is not seeking to recover those costs in this
21 rate case.

22 **Q. DO YOU AGREE WITH OPC WITNESS SCHABEN'S RECOMMENDATION**
23 **THAT THE COMMISSION REMOVE THE FULL AMOUNT OF INCENTIVE**

1 **COMPENSATION INCLUDED IN THIS CASE, WHICH ACCORDING TO**
2 **COMPANY WORKPAPERS IS \$12,936,020?**

3 A. No, and this recommendation is inconsistent with how the Commission has treated
4 incentive compensation in the past. While the Company agrees that certain elements of its
5 annual incentive plan and the entirety of its long-term incentive compensation plan should
6 be excluded from rates, the historically allowed portion of the annual incentive plan should
7 be recoverable. In the Amended Report and Order from GR-2017-0215 and GR-2017-
8 0216, the Commission identified five standards for evaluating whether incentive
9 compensation should be included in rates. The standards were as follows: 1) does the goal
10 provide the employee an incentive to perform at a level above what is already required for
11 the applicable job; 2) does a goal require improvement over past performance; 3) is the
12 goal objective and measurable; 4) was the goal related to Missouri regulated operations;
13 and 5) was the goal, if achieved, directly linked to overall ratepayer benefit.² The
14 Commission's decision allowed the portion of incentive compensation in compliance with
15 the aforementioned standards to remain recoverable. In the subsequent case, GR-2021-
16 0108, Staff witness Jeremy Juliette confirmed non-earnings based portions of Spire
17 Missouri's AIP were in compliance with the Commission expectation and recommended
18 recovery of these costs.³ Spire Missouri's annual incentive plan remains in compliance
19 with these standards with the identified exception of the portion of the corporate metric
20 that is not tied to regulated operations for which Spire Missouri is not seeking recovery.

² Case GR-2017-0215 and GR-2017-0216 Amended Report and Order dated March 7, 2018. Pp. 124.

³ Case GR-2021-0108 Staff Report Cost of Service dated May 12, 2021. Pp. 66-68.

1 C. Severance Payments

2 **Q. STAFF WITNESS BAILEY RECOMMENDS REMOVAL OF EMPLOYEE**
3 **SEVERANCE PAYMENTS INCURRED DURING THE TEST YEAR. DO YOU**
4 **AGREE WITH THIS RECOMMENDATION?**

5 A. Spire Missouri agrees that employee severance should be removed from the test year and
6 removed these costs in our direct filing. Staff witness Majors adopted our adjustment.
7 However, Staff witness Bailey made a severance adjustment for approximately the same
8 amount. This second adjustment is duplicative and unnecessary as it relies upon the same
9 employee severance base that supported the adjustment Spire Missouri made and Staff
10 witness Majors adopted.

11 D. Depreciation

12 **Q. STAFF WITNESS NIETO PROPOSED AN ADJUSTMENT TO ANNUALIZE THE**
13 **EXPENSE PORTION OF DEPRECIATION FOR FEDERAL ENERGY**
14 **REGULATORY COMMISSION (“FERC”) ACCOUNTS 392.00, 396.00, AND**
15 **396.10 AND REMOVE FROM THE ANNUALIZED DEPRECIATION EXPENSE**
16 **THE PORTION OF THAT EXPENSE THAT HAS BEEN USED DURING**
17 **CONSTRUCTION OR CAPITAL PROJECTS. HOW DO YOU RESPOND?**

18 A. I agree with Staff witness Nieto’s proposal regarding annualization and removal of
19 capitalized depreciation. Spire Missouri reviewed Staff’s analysis and made similar
20 adjustments in Spire Missouri’s filing. Staff’s analysis is reasonable.

21 **Q. STAFF WITNESS BOWMAN IDENTIFIED PLANT ACCOUNTS THAT DID NOT**
22 **HAVE RATES EXPLICITLY LISTED IN THE DEPRECIATION STUDY AND**

1 **THUS STAFF RECOMMENDED CURRENTLY ORDERED RATES. HOW DO**
2 **YOU RESPOND?**

3 A. Spire Missouri depreciation witness Spanos combined accounts 396 and 396100 totals to
4 calculate the recommended rate. Plant account 390 Structures general plant utilizes the
5 same rate for 390200 & 390700 as these asset types are the same just at different locations.
6 Account 367 Mains - Transmission uses the same rate as 376 Mains Steel since assets are
7 the same material.

8 **Q. DID SPIRE MISSOURI OBSERVE ANY OTHER ISSUES WITH STAFF'S**
9 **DEPRECIATION EXPENSE CALCULATION?**

10 A. Yes. Spire Missouri noted issues with plant account 391.1, 391.2, and 391.950
11 depreciation rates and met with Staff to resolve them.

12 **Q. IS SPIRE MISSOURI PROPOSING ANY ADDITIONAL DEPRECIATION**
13 **CHANGES?**

14 A. Yes. Please see the testimony of Company witness Spanos for the complete depreciation
15 study recommendations.

16 E. Amortization

17 **Q. STAFF WITNESS NIETO STATES STAFF RECOMMENDED AN ANNUALIZED**
18 **AMORTIZATION OF ENERGY EFFICIENCY COSTS IN EXPENSE BASED ON**
19 **A TEN-YEAR PERIOD AND THAT STAFF WILL REVIEW THE ANNUAL**
20 **AMORTIZATION THROUGH THE TRUE-UP CUTOFF IN THIS RATE CASE,**
21 **MAY 31, 2025, FOR SPIRE MISSOURI'S ENERGY EFFICIENCY PROGRAMS.**
22 **HOW DO YOU RESPOND TO STAFF'S APPROACH?**

1 A. Spire Missouri proposes amortizing the costs over a shorter, five-year duration. Spire
2 Missouri provided a table in Staff DR 0272 showing the different impacts of varying
3 amortization periods on the energy efficiency balances. The growth of the energy
4 efficiency balance has outpaced the amortization, which has remained ten years over
5 multiple cases. Shortening the duration of amortization to five years will reduce the level
6 of rate base and prevent a larger balance from accumulating for future rate cases.

7 **Q. STAFF WITNESS NIETO RECOMMENDS ANY AMOUNTS OVER-**
8 **COLLECTED BY SPIRE MISSOURI FOR THE ONE-TIME ENERGY**
9 **AFFORDABILITY PROGRAM (SPIRE MISSOURI WEST ONLY) BE TRACKED**
10 **IN THE NEXT RATE CASE. HOW DO YOU RESPOND?**

11 A. I do not agree. This balance is expected to be fully amortized in August 2025. Due to the
12 minimal balance that will be used to set rates in this case, Spire Missouri believes this
13 should be allowed to amortize to zero and fall off from rate making.

14 **Q. IN RELATION TO RED TAG PROGRAM COSTS, STAFF RECOMMENDS AN**
15 **ANNUAL AMORTIZATION BASED ON THE THREE-YEAR PERIOD WITH NO**
16 **RATE BASE TREATMENT. HOW DO YOU RESPOND?**

17 A. Spire Missouri agrees with this approach and used this methodology in its direct filing. The
18 Red Tag Program balances that set amortization will be updated for true-up.

19 **Q. IN RELATION TO THE PAYS PROGRAM, STAFF WITNESS NIETO STATES**
20 **THAT FOR THE PURPOSE OF DIRECT FILING, STAFF HAS INCLUDED IN**
21 **AN ADJUSTMENT TO THE AMORTIZATION EXPENSE PROPOSED BY SPIRE**
22 **MISSOURI AND STAFF WILL REVIEW THE ANNUAL AMORTIZATION**

1 **THROUGH THE TRUE-UP CUTOFF IN THIS RATE CASE, MAY 31, 2025. HOW**
2 **DO YOU RESPOND TO STAFF’S APPROACH TO THE PAYS PROGRAM?**

3 A. Spire Missouri agrees with this approach and believes lining up the proposed amortization
4 period of 5 years with the energy efficiency program makes sense.

5 **Q. STAFF WITNESS NIETO STATES STAFF INCLUDED ANNUAL**
6 **AMORTIZATION OF THE LOW INCOME ENERGY AFFORDABILITY**
7 **UNAMORTIZED COSTS BASED ON A THREE-YEAR PERIOD AND THAT**
8 **STAFF WILL REVIEW ANNUAL AMORTIZATION THROUGH THE TRUE-UP**
9 **CUTOFF IN THIS RATE CASE. HOW DO YOU RESPOND TO STAFF’S**
10 **APPROACH?**

11 A. Spire Missouri agrees with this approach and used this methodology in its direct filing.

12 **Q. BOTH STAFF WITNESS SMITH AND MIEC WITNESS MEYER HAD**
13 **RECOMMENDATIONS ON HOW TO TREAT THE FOREST PARK PROPERTY**
14 **SALE, ST. PETERS LATERAL AND TRANSITION COST REGULATORY**
15 **ITEMS. WILL YOU PLEASE EXPLAIN THEIR PROPOSALS?**

16 A. Staff witness Smith proposed the continued amortization of those accounts through true-
17 up and moving any over-recovery of these assets to the proposed regulatory asset/liability
18 tracking mechanism to be amortized over five years. MIEC witness Meyer recommended
19 that the over-collected revenues for the St. Peters Lateral and Transition Cost regulatory
20 assets be rolled into the property tax tracker and amortized over three years.

21 **Q. HOW WOULD YOU RESPOND TO THOSE PROPOSALS?**

22 A. Spire Missouri agrees that the establishment of a regulatory asset/liability tracker is an
23 appropriate approach, and a five-year amortization period is reasonable and can be used on

1 a more prospective basis. The regulatory assets that Staff is proposing to keep in this tracker
2 have either been fully amortized since the last case (St. Peters Lateral – December 2024
3 and Transition Costs – December 2023) and had a minimal impact on rates from the last
4 case (annual cumulative amortization of ~\$75K at MOE & ~\$36K at MOW), or in the
5 case of the Forest Park regulatory liability, will be fully amortized at the end of September
6 2025, immediately before rates go into effect in this case. There is no need to keep these
7 minimal balance items “alive” and continue dragging out amortization into the future.
8 Even though the MIEC proposal was different than Staff’s, the idea was similar in nature
9 and Spire Missouri’s response is the same.

10 **Q. DO YOU AGREE WITH WITNESS MEYER’S RECOMMENDATION THAT THE**
11 **COVID 19 REGULATORY ASSET BE AMORTIZED OVER THREE YEARS?**

12 A. No. This regulatory asset was initially set up with a five-year amortization period, and
13 approximately three years will have elapsed from that time frame at the conclusion of this
14 case. Spire Missouri’s rebasing of the amortization over two years is both consistent with
15 the original amortization schedule and with the expected future rate case timing.

16 F. Program Revenues

17 **Q. IN RELATION TO THE INSULATION FINANCING AND ENERGYWISE**
18 **PROGRAMS, STAFF WITNESS NIETO STATES STAFF HAS INCLUDED**
19 **ADJUSTMENTS TO INCREASE REVENUES, AS PART OF THE SPIRE**
20 **MISSOURI EAST AND SPIRE MISSOURI WEST COST OF SERVICE**
21 **CALCULATIONS. HOW DO YOU RESPOND TO STAFF’S APPROACH TO THE**
22 **INSULATION FINANCING AND ENERGYWISE PROGRAMS REVENUES?**

1 A. Spire Missouri agrees with this approach barring correction of the mechanical issues
2 mentioned previously.

3 G. Advertising

4 **Q. STAFF WITNESS BAILEY RECOMMENDS A DISALLOWANCE OF \$138,693 IN**
5 **ADVERTISING FOR SPIRE MISSOURI EAST AND \$90,848 FOR SPIRE**
6 **MISSOURI WEST. HOW DO YOU RESPOND?**

7 A. Spire Missouri has reviewed Staff's exclusions and believes that these adjustments are
8 reasonable.

9 H. Dues, Donations, Lobbying

10 **Q. STAFF WITNESS BAILEY RECOMMENDS REMOVING CERTAIN DUES AND**
11 **DONATIONS FROM THE COST OF SERVICE LISTED ON PAGES 15 AND 16**
12 **OF HIS TESTIMONY. HOW DO YOU RESPOND?**

13 A. Spire Missouri has reviewed Staff's analysis and believes Staff's proposed removals are
14 reasonable.

15 I. Property Tax Expense and Amortization

16 **Q. MIEC WITNESS MEYER PROPOSES THE PROPERTY TAX REGULATORY**
17 **ASSET BE COLLECTED OVER THREE YEARS, WHICH IS THE**
18 **APPROXIMATE TIME IN BETWEEN RATE CASES, AND THEREFORE, HE**
19 **ARGUES, MATCHES THE PROPERTY TAX TRACKER PERIOD FOR THIS**
20 **RATE CASE. HOW DO YOU RESPOND?**

21 A. Spire Missouri agrees the property tax trackers should be amortized to align with expected
22 rate case timing. However, as pointed out earlier, Spire Missouri believes a two-year
23 amortization period better aligns with this planned case timing rather than the three years

1 put forth by Staff and MIEC. Missouri Senate Bill 4 was signed by the Governor and will
2 be effective August 28, 2025. RSMo § 393.150 states that, beginning July 1, 2026, gas
3 utilities will be able to file rate cases utilizing a future test year. Accordingly, Spire
4 Missouri plans to file another general rate case in the second half of 2026.

5 **Q. STAFF WITNESS FERGUSON RECOMMENDS CERTAIN ADJUSTMENTS TO**
6 **PROPERTY TAX EXPENSE IN HER TESTIMONY. HOW DO YOU RESPOND?**

7 A. Staff witness Ferguson proposed multiple adjustments that impact property tax expense.
8 These adjustments include: (1) rebasing property tax expense levels based on the 2024
9 property tax bills, (2) identifying the new property tax amortization to be included in rates
10 for the first time, and (3) adjusting amortization for the legacy property tax trackers
11 established at Spire Missouri East and West in prior cases. Spire Missouri agrees with
12 Staff that the 2024 property tax statements should form the basis for the adjusted test year
13 amount. Regarding amortization periods for the tracked expenses, Spire Missouri filed for
14 recovery of both the new and legacy tracked expenses over two years because of the
15 planned change in rate case filing timing, as outlined above, versus Staff's three years
16 which was based on amortization periods from past cases. The balance for the newer
17 Missouri tracker will be updated as of May 31, 2025, and amortization should be based on
18 that trued-up balance. This new tracker was established after the conclusion of Spire
19 Missouri's last rate case GR-2022-0179, and no amortization was included in rates
20 previously. Spire Missouri reviewed Staff's calculations for the newer tracker and
21 identified some mechanical issues. Spire Missouri met with Staff to review the identified
22 issues and believes an adjustment will be made if deemed appropriate by Staff. Regarding
23 the legacy property tax tracker, Spire Missouri proposes using the projected balances as of

1 September 30, 2025, for the legacy Missouri property tax trackers for rate base and
2 amortization purposes; the balances at that point in time for Spire Missouri East and Spire
3 Missouri West are known and measurable and will allow for lower rate base values and
4 amortization expenses in the cost of service. Spire Missouri proposed removing the Kansas
5 property tax tracker from rate base and amortization in our direct filing as a discrete
6 adjustment because the balance will be fully amortized after the true-up period but before
7 rates go into effect. Staff made the same adjustment to their model.

8 J. Regulatory Costs and Rate Case Annualization

9 **Q. STAFF WITNESS FERGUSON PROPOSED AN ADJUSTMENT TO INCLUDE**
10 **THE MOST CURRENT ASSESSMENT VALUE FOR SPIRE MISSOURI FOR**
11 **FISCAL YEAR 2025 IN THE REVENUE REQUIREMENT. DO YOU AGREE?**

12 A. Yes. I reviewed the adjustment made by Staff and am in agreement with it.

13 **Q. STAFF WITNESS FERGUSON RECOMMENDS USING THE SAME**
14 **TREATMENT OF RATE CASE EXPENSE AS IN SPIRE MISSOURI'S PRIOR**
15 **RATE CASE, CASE NO. GR-2022-0179, WHICH IS TO INCLUDE A 50% SHARE**
16 **OF THE AVERAGE INCREMENTAL EXTERNAL RATE CASE EXPENSE**
17 **FROM THE TWO MOST RECENT SPIRE MISSOURI RATE CASES AND**
18 **NORMALIZING THAT COST LEVEL OVER A THREE-YEAR PERIOD. DO**
19 **YOU AGREE WITH THIS APPROACH?**

20 A. No on both fronts. Company witness David Yonce supports recovery of all rate case
21 expense costs, noting that "all expenses incurred in preparing this case have been for the
22 benefit of the customer, Company, and the shareholder, and are just and reasonable for a

1 utility operator in the normal course of business.”⁴ Additionally, the costs should be
2 normalized over a two-year period. This shorter period better lines up with Spire
3 Missouri’s future plans for filing rate cases, as previously outlined. Staff proposed
4 recovery of these costs over three years to “correspond with the frequency of Spire
5 Missouri’s rate cases.”⁵ Spire Missouri believes that Staff should adjust the normalization
6 period to two years given the expected update to Spire Missouri’s next anticipated general
7 rate case filing.

8 **Q. OPC WITNESS ROBINETT RECOMMENDS THE COST OF SPIRE**
9 **MISSOURI’S DEPRECIATION STUDY BE RECOVERED OVER A FIVE-YEAR**
10 **PERIOD. DO YOU AGREE WITH WITNESS ROBINETT’S PROPOSAL?**

11 A. No. Spire Missouri filed for recovery of rate case expenses, including the depreciation
12 study over two years because of Spire Missouri’s planned change in rate case filing timing
13 as noted in the previous question.

14 K. Uncollectibles Expense

15 **Q. STAFF WITNESS SMITH RECOMMENDS SPIRE MISSOURI INCLUDE IN ITS**
16 **COST OF SERVICE THE THREE-YEAR AVERAGE OF THE NET WRITE-OFFS**
17 **FOR THE 12 MONTHS ENDED SEPTEMBER 2022, SEPTEMBER 2023, AND**
18 **SEPTEMBER 2024 TO REFLECT THE APPROPRIATE LEVEL OF**
19 **UNCOLLECTIBLE COSTS. HOW DO YOU RESPOND?**

20 A. Spire Missouri agrees with this approach and used this methodology in its direct filing.
21 However, Spire Missouri has issues with the mechanics of Staff’s adjustment and met with
22 Staff witness Smith to address the calculation.

⁴ Direct Testimony of David A. Yonce in GR-2025-0107 dated November 25, 2024. Pg. 20.

⁵ Direct Testimony of Sydney Ferguson in GR-2025-0107 dated April 23, 2025. Pg. 8.

1 **Q. ARE YOU AWARE OF ANY OTHER ISSUES WITH THE CURRENT**
2 **ADJUSTMENTS TO UNCOLLECTIBLES EXPENSE PROPOSED BY EITHER**
3 **STAFF OR SPIRE MISSOURI?**

4 A. After filing our case, I became aware that our 904 – uncollectibles account captures both
5 billed customer write-offs as well as billed third parties for damages caused to our system.
6 The traditional adjustment that Spire Missouri and Staff used only factored the billed
7 customer portion into consideration. This oversight effectively adjusted out the entirety of
8 the third party uncollectibles. Spire Missouri is proposing to factor a 3-year average into
9 the 904 adjustment calculation. Spire Missouri provided Staff with information to support
10 this assertion and identified the general ledger location of the third party uncollectibles for
11 them to verify the data.

12 L. Pension, OPEB, and SERP Expense

13 **Q. STAFF WITNESS MAREK RECOMMENDS THE RATEMAKING**
14 **METHODOLOGY AND FUNDING LEVELS FOR SPIRE MISSOURI EAST AND**
15 **SPIRE MISSOURI WEST’S PENSION EXPENSE AND OPEBS CONTINUE IN A**
16 **MANNER SIMILAR THAT AGREED UPON IN GR-2022-0179 RECENT PAST.**
17 **DO YOU AGREE WITH THIS PROPOSAL?**

18 A. Spire Missouri agrees with this proposal and will provide Pension and OPEB adjustments
19 based on activity through true up and balances at the time of true up.

20 **Q. STAFF WITNESS MAREK PROPOSES THE CONTINUATION OF**
21 **AMORTIZATION OF THE “PRE GR-2021-0108” PENSION AND OPEB**
22 **BALANCES OVER THE ORIGINAL SCHEDULE OF EIGHT YEARS. HOW DO**
23 **YOU RESPOND?**

1 A. Spire Missouri is in agreement with this approach.

2 **Q. STAFF WITNESS MAREK PROPOSES THE “POST GR-2021-0108” TRACKER**
3 **BE AMORTIZED OVER A THREE-YEAR PERIOD. HOW DO YOU RESPOND?**

4 A. Spire Missouri intended for this layer to be an accumulated tracker that is comprised of all
5 activity post GR-2021-0108 which Staff correctly identified. The reasoning laid out by
6 Staff for amortizing this balance over three years is to align with the approximate filing of
7 Spire Missouri’s general rate cases. As noted earlier in my testimony, Spire Missouri
8 expects to file a rate case more quickly than it has in the past and as such, thinks a two-
9 year amortization period aligns better with that than a three-year period.

10 **Q. STAFF WITNESS MAREK PROPOSES TO INCLUDE A THREE-YEAR**
11 **AVERAGE OF ANNUITY AND LUMP-SUM PAYMENTS FOR SERP,**
12 **CONSISTENT WITH STAFF’S POSITION IN THE PREVIOUS RATE CASE.**
13 **HOW DO YOU RESPOND?**

14 A. Spire Missouri does not agree with Staff’s proposal. Rather than use a straight three-year
15 average of SERP expenses, Staff first removed targeted SERP lump sum payments before
16 taking an average. This arbitrarily lowered the amounts included in Staff’s three-year
17 average calculation. While Spire Missouri did not initially propose an adjustment to test
18 year SERP expense, a more simplistic approach can be used that takes the actuarial
19 determined total service and non-service SERP costs excluding settlements estimated by
20 Willis Towers Watson for the current fiscal year and then allocate to Spire Missouri East
21 and West using the 3-Factor allocation rate.

1 M. Other Expenses

2 **Q. STAFF WITNESS FERGUSON STATES STAFF INCLUDED A THREE-YEAR**
3 **AVERAGE OF NON-LABOR MAINTENANCE EXPENSE TO NON-LABOR**
4 **MAINTENANCE EXPENSE. HOW DO YOU RESPOND?**

5 A. Spire Missouri agrees that this adjustment is reasonable. Staff noted that a three-year
6 average was used since the expense level fluctuated from year to year.⁶

7 **Q. ARE THERE ADDITIONAL O&M EXPENSES IN THIS CASE WHERE IT**
8 **MIGHT BE REASONABLE TO UTILIZE A THREE-YEAR AVERAGE?**

9 A. Spire Missouri believes it would be reasonable to take a similar tack when looking at field
10 labor O&M percentages. Like the non-labor costs, the labor O&M percentage changes
11 from year to year, so it's reasonable to use an average compared to just one year's value.
12 Spire Missouri made an adjustment to its payroll normalization by factoring in the use of a
13 three-year average O&M percentage for field labor compared to the test year distribution.
14 We believe that this adjustment is reasonable given the fluctuations observed in the O&M
15 percentage over the past three years as well as the expected change in future periods due
16 to the substantial completion of the advanced meter installation program in the Spire
17 Missouri East territory by the time rates go into effect for this case.

18 **Q. STAFF WITNESS BORONDA RECOMMENDS SPIRE MISSOURI ANNUALIZE**
19 **LEASE EXPENSES BASED ON THE MOST CURRENT LEASE COSTS AND**
20 **REMOVE ANY EXPIRING LEASES. HOW DO YOU RESPOND?**

21 A. Spire Missouri reviewed Staff's analysis and believes it is reasonable if it accepts other
22 isolated discrete adjustments as part of this case. Spire Missouri removed 800 Market

⁶ Direct Testimony of Sydney Ferguson in GR-2025-0107 dated April 23, 2025. Pg. 8.

1 related expenses from our direct filing and included it as one of our discrete adjustments
2 due to the lease expiring in July 2025. This was a known and measurable adjustment that
3 will occur after the true-up period. Staff has acknowledged this upcoming change and
4 removed the lease expenses as well as factored in any scheduled changes to lease payments
5 from the test year cost of service.

6 **Q. STAFF WITNESS BORONDA MADE A TEST YEAR ADJUSTMENT TO**
7 **EQUIPMENT AND VEHICLE FUEL EXPENSE. DO YOU AGREE WITH THIS**
8 **ADJUSTMENT?**

9 A. Spire Missouri reviewed Staff's analysis and believes this adjustment is reasonable.

10 **Q. STAFF WITNESS SMITH RECOMMENDS SPIRE MISSOURI USE A THREE-**
11 **YEAR AVERAGE OF CASH PAYOUTS NET OF INSURANCE RECOVERIES IN**
12 **ACCOUNT 925 TO REPRESENT A NORMALIZED LEVEL OF ACTUAL**
13 **CLAIMS PAID, AND THAT THIS AMOUNT SHOULD BE SUBTRACTED FROM**
14 **THE TEST YEAR TO CALCULATE THE APPROPRIATE ADJUSTMENT. HOW**
15 **DO YOU RESPOND TO THIS RECOMMENDATION?**

16 A. Spire Missouri agrees with this approach and used this methodology in its direct filing.
17 However, Spire Missouri has issues with Staff's mechanics and met with Staff to walk the
18 witness through the observed issues to allow her to determine if a correction is needed.

19 **Q. STAFF WITNESS BORONDA RECOMMENDS SPIRE MISSOURI INCLUDE**
20 **SPIRE MISSOURI EAST'S AND SPIRE MISSOURI WEST'S ANNUALIZED**
21 **INSURANCE EXPENSE IN ITS REVENUE REQUIREMENTS. HOW DO YOU**
22 **RESPOND?**

1 A. Spire Missouri agrees with this approach and used this methodology in its direct filing.
2 However, Spire Missouri has issues with Staff's mechanics and met with Staff to walk the
3 witness through the observed issues to allow him to determine if a correction is needed.
4 These estimates will be updated during true-up to capture insurance premiums that have
5 been renewed recently.

6 **Q. STAFF WITNESS SMITH RECOMMENDS SPIRE MISSOURI USE A**
7 **NORMALIZED THREE-YEAR AVERAGE OF NUMBER OF LOCATES FOR**
8 **SPIRE MISSOURI EAST AND SPIRE MISSOURI WEST TO APPLY TO THE**
9 **TEST YEAR LINE LOCATES EXPENSE. DO YOU AGREE WITH THIS**
10 **PROPOSED APPROACH TO CALCULATE THE LINE LOCATES EXPENSE?**

11 A. Spire Missouri agrees with this approach and used this methodology in its direct filing. A
12 contract has been finalized and the new cost per locate is now known. The updated contract
13 was provided to Staff in DR 0289. Spire Missouri will update its analysis for true-up and
14 expects Staff will use the same information to update their analysis as well.

15 N. Discrete Adjustments

16 **Q. DID SPIRE MISSOURI PROPOSE DISCRETE ADJUSTMENTS THAT IMPACT**
17 **THE COST OF SERVICE?**

18 A. Yes, proposals were made for known and measurable items that occur beyond the true-up
19 period, but before new base rates take effect

20 **Q. WHAT ADJUSTMENTS WERE PROPOSED THAT IMPACT THE COST OF**
21 **SERVICE?**

22 A. Spire Missouri's direct filing included known changes to leases, payroll, call center hours,
23 and a few amortization items.

1 **Q. DID THE COMMISSION SUPPORT PARTIES PROPOSING DISCRETE**
2 **ADJUSTMENTS IN THIS CASE?**

3 A. The Commission filed the Order Regarding Test Year and Allowance of Discrete
4 Adjustments on January 23, 2025, and which stated, “all parties are permitted to propose
5 discrete adjustments beyond the true-up period to demonstrate a more complete picture of
6 Spire Missouri’s operations at the operation of law date.”⁷

7 **Q. DOES THIS MEAN THE COMMISSION APPROVED SPIRE MISSOURI’S**
8 **DISCRETE ADJUSTMENTS?**

9 A. No, the ruling just allowed parties to propose discrete adjustments to be considered in this
10 case. The final inclusion or exclusion will be determined during the adjudication of this case.

11 **Q. WHAT DID OTHER PARTIES INDICATE ABOUT SPIRE MISSOURI’S**
12 **REQUEST FOR THE INCLUSION OF DISCRETE ITEMS IMPACTING THE**
13 **COST OF SERVICE?**

14 A. Commission Staff filed a Response to Spire Missouri Inc.’s Motion to Establish Test Year
15 on January 6, 2025, where they requested that the Commission deny the use of discrete
16 adjustments. It also appears that Staff largely excluded Spire Missouri’s discrete
17 adjustments from their direct filing. MIEC witness Meyer recommends the Commission
18 reject Spire Missouri’s discrete adjustments with some exceptions.

19 **Q. WILL YOU ELABORATE ON MIEC’S RECOMMENDATIONS FOR**
20 **EXCLUSION OR INCLUSION OF DISCRETE ADJUSTMENTS IMPACTING**
21 **COST OF SERVICE AND HOW YOU WOULD RESPOND?**

⁷ GR-2025-0107 Order Regarding Test Year and Allowance of Discrete Adjustments dated January 23, 2025.

1 A. Yes. MIEC recommended the follow discrete adjustments be excluded from rates:
2 depreciation expense for the proposed discrete net plant in service impacts, post true-up
3 payroll adjustments for merit increases, and removal of the estimated savings for call center
4 hour reductions proposed by Spire Missouri. Mr. Meyer proposed allowing other discrete
5 items proposed by Spire Missouri such as removing 800 Market lease expenses and related
6 amortizations, but he had hesitancy calling the related amortization a discrete adjustment
7 even though it was driven off of items occurring after May 31, 2025. When approving
8 discrete adjustments in the past, the Commission laid out three criteria for evaluating: “(1)
9 ‘known and measurable,’ (2) [promotes] the proper relationship of investment, revenues
10 and expenses, and (3) [are] representative of the conditions anticipated during the time the
11 rates will be in effect.” Spire Missouri believes all of the adjustments that were either
12 initially proposed or those that will be updated during our true-up filing meet those criteria.
13 As mentioned earlier, Spire Missouri will put forth a revised discrete plant additions
14 estimate that is more targeted and will allow for the appropriate auditing which will impact
15 our initial depreciation expense derived off of the discrete capital. The cost savings
16 associated with reduced call center hours will benefit customers and be representative of
17 expected hours when rates are effective. The payroll related discrete adjustments are tied
18 to union contracts which will have known and measurable values as of August 1, 2025, and
19 for non-union merit increases which typically take effect in November, shortly after rates
20 go into effect. The non-union merit increases have a historically narrow band 3.0-4.0%
21 that has been implemented year after year. The estimated cost of service impact in our
22 direct filing for the union and non-union wage increases is approximately \$4 million. Spire

1 Missouri believes this constitutes known and measurable, represents conditions when the
2 new rates will be in effect, and matches the revenues and expenses.

3 **Q. YOU MENTIONED THAT STAFF LARGELY EXCLUDED SPIRE MISSOURI'S**
4 **DISCRETE ADJUSTMENTS FROM THEIR DIRECT FILING. WILL YOU**
5 **ELABORATE ON THAT?**

6 A. It appears that Staff has adopted some of the cost of service impacting items (removal of
7 800 Market rent expense, removal of Kansas property tax tracker) that occur after the true
8 up period but did not specifically address other items. As mentioned in my previous reply,
9 I believe the Company has a compelling case for inclusion of the other cost of service
10 impacting items, and we will have updated estimates for depreciation derived from our
11 revised discrete plant in service adjustment during our true-up filing.

12 **IV. CONCLUSION**

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 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)	File No. GR-2025-0107
In the Company's Missouri Service Areas)	

AFFIDAVIT

STATE OF MISSOURI)	
)	SS.
CITY OF ST. LOUIS)	

Eric Bouselli, of lawful age, being first duly sworn, deposes and states:

1. My name is Eric Bouselli. I am Manager, Regulatory Strategy and Forecasting for Spire Missouri Inc. My business address is 700 Market St., St. Louis, Missouri 63101.
2. This affidavit is attached to my rebuttal testimony, which is filed on behalf of Spire Missouri Inc.
3. I hereby swear and affirm that my answers to the questions contained in my rebuttal testimony are true and correct to the best of my knowledge, information, and belief.


Eric Bouselli

Subscribed and sworn to before me this 27 day of May 2025.


Notary Public

