

Exhibit No. 900

Exhibit No.: _____
Issue: In the Matter of Spire Missouri's Request for Authority
to Implement a General Rate Increase for Natural Gas Service
Provided in the Company's Missouri Service Areas
Witness: Louie R. Ervin II
Exhibit Type: Direct
Sponsoring Party: Missouri School Boards' Association
Case No.: GR-2021-0108
Date: May 26, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE No. GR-2021-0108

DIRECT TESTIMONY

OF

LOUIE R. ERVIN II

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

**Jefferson City, Missouri
May 26, 2021**

1 **Q. Please state your name and business address.**

2 A. My name is Louie R. Ervin II. My business address is 150 First Avenue NE, Suite 300
3 Cedar Rapids, IA 52401.

4 **Q. On whose behalf is your testimony presented?**

5 A. The Missouri School Boards' Association (hereinafter "MSBA").

6 **Q. By whom and in what capacity are you employed?**

7 A. I am employed by Latham, Ervin, Vognsen, and Associates, Inc. ("LEV") as President and
8 Chief Operating Officer for the firm.

9 **Q. Will you briefly describe Latham, Ervin, Vognsen & Associates?**

10 A. LEV is an independent energy adviser, primarily to Midwestern purchasers of natural gas,
11 electricity and steam. Our clients include K-12 education institutions, colleges,
12 universities, grain handling and feed industry companies, hospitals, cities, large industrial
13 companies, smaller municipal electric utilities and trade associations. LEV is not affiliated
14 with any utility, energy marketer, broker or pipeline. Our primary activities are negotiation
15 of short-term and long-term electric supply and natural gas supply agreements, aggregation
16 of clients into larger purchasing pools, oversight of the administration of energy supply
17 contracts, preparation of Class Cost of Service and rate design studies, provide expert
18 witness testimony in state and federal jurisdictions, advice on strategic energy investments
19 in electric generation, negotiation of the purchase and sale of energy production and
20 aggregation businesses, and advice on market participation in Regional Transmission
21 Organizations. For over 25 years, our firm has advised clients on the establishment and
22 operations of statewide school natural gas programs in Missouri, Illinois, Iowa, Wisconsin,
23 Nebraska and Kansas.

1 **Q. Please state your relevant education and background business experience.**

2 A. I hold a Bachelor of Science degree in Electrical Engineering from Iowa State University
3 and am a licensed Professional Engineer in the State of Iowa. I joined LEV in August 2017
4 advising clients on natural gas and electric regulatory matters including rate design,
5 aggregate purchasing, development and negotiation of contracts, tariff application and
6 economic feasibility analyses.

7 **Q. Have you testified as an expert witness before courts, legislatures, and regulatory**
8 **bodies?**

9 A. I have testified before the Iowa Utilities Board, Illinois Commerce Commission,
10 represented a utility at FERC, managed a utility planning and engineering department, and
11 oversaw utility integration during the start of the Midcontinent Independent System
12 Operator energy markets.

13 **Q. Will you briefly describe MSBA and the School Transportation Program (STP)?**

14 A. MSBA is a 501(c)(6) not-for-profit corporation representing 387 schools and school
15 districts in the State of Missouri as a trade association with approximately 2,000 individual
16 school locations, several of which have multiple natural gas meters or accounts. MSBA
17 sponsors a statewide aggregate natural gas purchasing program which enables schools to
18 take services under STP tariffs with all Missouri gas corporations in accordance with a
19 special school statute Section 393.310 RSMo. (see Appendix 1). MSBA's purchasing
20 organization is referred to as Missouri Purchasing Resource Center MOPRC). MSBA's
21 natural gas purchasing organization under MOPRC is commonly known as the MSBA
22 Natural Gas Consortium (Consortium).

23 **Q. How are those natural gas accounts divided between Spire West and Spire East?**

1 A. MSBA is the authorized purchasing agent for over 2,300 Missouri school natural gas
2 accounts of which approximately 903 and 715 STP accounts are in the Spire West and
3 Spire East service areas, respectively. The Consortium purchases natural gas on the open
4 market and arranges for gas supply, pipeline delivery, and local utility transportation to
5 Missouri school meters. The total annual consumption of the Consortium is approximately
6 35,000,000 therms with about 80% of the total being on Spire East and West combined.

7 **Q. What is the fundamental difference between schools receiving natural gas under the**
8 **special school statute Section 393.310 RSMo. and purchasing natural gas under local**
9 **distribution utilities “sales service” rate schedules?**

10 A. For sales service, utilities provide the entire service including the gas supply. They
11 purchase wholesale natural gas supply, arrange for delivery to its distribution system from
12 interstate pipelines and deliver the supply to end user meters. Under Spire’s STP tariff,
13 schools with annual use of 100,000 therms or less directly purchase their own natural gas
14 supply in aggregate in the open market and manage the delivery process from the interstate
15 pipeline to the utility distribution system for re-delivery, or transportation, to school facility
16 meters. STP service allows schools to transport on the utility delivery system in a manner
17 similar to that of large commercial and industrial transportation customers.

18 **Q. Who benefits from the STP?**

19 A. Students and taxpayers benefit from group purchasing of natural gas under STP. MSBA’s
20 natural gas program ultimately supports classroom needs. Absent these STP savings on gas
21 supply costs, schools would have fewer dollars for teachers, computers and other classroom
22 learning tools.

23 **Q. What is your understanding of the current tariffs for Spire East and West?**

1 A. Spire East’s (fka Laclede Gas Company or Laclede) STP tariff was approved by the
2 Commission after the special school transportation statute was enacted in 2002. The Spire
3 East STP tariff provided for release of pipeline capacity for the schools from the only
4 pipeline available, Mississippi River Transmission (MRT). The Commission approved a
5 different STP tariff for Spire West (fka Missouri Gas Energy or MGE) which did not
6 provide for pipeline capacity release for schools because capacity was available from
7 MOPRC’s supplier. In this case, the Spire East and Spire West tariffs are proposed to be
8 consolidated, primarily using Spire East’s original and post 2002 STP tariff language.
9 MSBA is proposing revisions for the consolidated tariff that would apply to both Spire East
10 and Spire West.

11 **Q. What is the purpose of MSBA’s testimony in this case?**

12 A. MSBA’s objectives in this case are:
13 1) Support for Spire’s proposed consolidation of Spire East and Spire West natural gas
14 tariffs as much as is practical while recognizing some remaining operational
15 difference; and
16 2) Provide proposed revised tariff language as it relates to the STP to more clearly
17 conform with the special school statute Section 393.310 RSMo and to reflect the
18 addition of the Spire StL Pipeline for service to the former Laclede service area.

19 **Q. Why is MSBA supporting consolidation of Spire East and Spire West natural gas**
20 **tariffs?**

21 A. One set of tariffs and operational practices will not only reduce Spire’s expenses, but it will
22 also streamline the STP program administrative expenses which are paid by participating
23 schools. MSBA administrative time will be saved by having only one set of rates, riders,

1 rules and regulations to understand and implement. For example, the STP billing and
2 payment for all Spire Missouri schools, regardless of geographic location will be uniform,
3 require less work each time rates change and reduce the possibility of billing errors. STP
4 administrative costs will be reduced by having one Spire method of nominations and
5 pipeline capacity release. In addition, Spire operates its Missouri gas system as one
6 integrated system although customers may be served by different interstate pipelines. It
7 only makes sense for Spire to treat similarly situated customers they serve in Missouri the
8 same regardless of where they are located in Missouri or who their legacy gas utility was.

9 **Q. When was the last time these school tariffs were revised?**

10 A. To my knowledge no changes have been made since 2002. During those past 19 years,
11 school accounts have been added and dropped from the STP program, schools have been
12 consolidated, buildings have had additions, energy efficiency improvements have been
13 made to building envelopes, more energy efficient equipment has been installed and other
14 changes have been made which can affect natural gas consumption. In the interim since
15 2002, the Commission also approved, and construction has been completed for the Spire
16 StL Pipeline which supports service to the former Laclede service area in addition to MRT.
17 The 2002 Spire East STP tariff and carryover to the proposed consolidated tariff still
18 provides that released capacity be based on schools' requirements in 2002.

19 **Q. What revisions does MSBA propose for the consolidated STP tariff?**

20 A. MSBA proposes a tariff update regarding pipeline capacity releases by Spire to schools for
21 summer and winter months. The current tariff uses a capacity release formula that goes
22 back to 2002 when the STP program was created by the special school statute Section
23 393.310 RSMo. Our current proposal for capacity release determination will be based on

1 the maximum daily requirement during a rolling historic seven-year period as adjusted by
2 additions or drops to the STP program with an additional 110% multiplier for a safety
3 margin.

4 **Q. Does MSBA support a Spire STP tariff change which allows schools to select capacity**
5 **on either or a combination of MRT or StL pipeline for service to Spire’s Eastern**
6 **service area?**

7 A. Yes. Supply diversity on MRT and StL pipelines is prudent.

8 **Q. Do any other Missouri gas distribution utilities have Commission-approved school**
9 **tariffs that provide for capacity release?**

10 A. Yes. All other Missouri gas distribution utilities have had Commission-approved school
11 tariffs that provide for capacity release at cost.

12 **Q. Does Spire witness Weitzel direct testimony comply with the special school statute**
13 **Section 393.310 RSMo. where he states at Page 20, Lines 20-21: “This capacity would**
14 **then be released at Spire’s cost”?**

15 A. Yes. See Appendix 1, which is the special school statute Section 393.310 RSMo. at
16 Paragraph 4. (2). The statute states that transportation will be provided at the gas
17 corporation’s cost.

18 **Q. Does MSBA propose a revision to Spire’s original STP tariff to make it more clear**
19 **with regard to transportation capacity release at cost?**

20 A. Yes. Spire and MSBA are working towards a resolution of this tariff language. MSBA
21 presents proposed redline changes to the STP in Appendix 2 as part of those ongoing
22 discussions.

23 **Q. Does this conclude your direct testimony in this case?**

1 A. Yes.

Appendix 1
Issue: In the Matter of Spire Missouri's Request for Authority
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MISSOURI PUBLIC SERVICE COMMISSION

CASE No. GR-2021-0108

APPENDIX 1

SECTION 393.310 RSMo.

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

**Jefferson City, Missouri
May 26, 2021**

► ☰ Revisor of Missouri



Words ▾

1st search term or section nr

And ▾

2nd search term



Title XXV INCORPORATION AND REGULATION OF CERTAIN UTILITIES AND CARRIERS

Chapter 393



Effective - 28 Aug 2006



393.310. Certain gas corporations to file set of experimental tariffs with PSC, minimum requirements — extension of tariffs. — 1. This section shall only apply to gas corporations as defined in section [386.020](#). This section shall not affect any existing laws and shall only apply to the program established pursuant to this section.

2. As used in this section, the following terms mean:

(1) "**Aggregate**", the combination of natural gas supply and transportation services, including storage, requirements of eligible school entities served through a Missouri gas corporation's delivery system;

(2) "**Commission**", the Missouri public service commission; and

(3) "**Eligible school entity**" shall include any seven-director, urban or metropolitan school district as defined pursuant to section [160.011](#), and shall also include, one year after July 11, 2002, and thereafter, any school for elementary or secondary education situated in this state, whether a charter, private, or parochial school or school district.

3. Each Missouri gas corporation shall file with the commission, by August 1, 2002, a set of experimental tariffs applicable the first year to public school districts and applicable to all school districts, whether charter, private, public, or parochial, thereafter.

4. The tariffs required pursuant to subsection 3 of this section shall, at a minimum:

(1) Provide for the aggregate purchasing of natural gas supplies and pipeline transportation services on behalf of eligible school entities in accordance with aggregate purchasing contracts negotiated by and through a not-for-profit school association;

(2) Provide for the resale of such natural gas supplies, including related transportation service costs, to the eligible school entities at the gas corporation's cost of purchasing of such gas supplies and transportation, plus all applicable distribution costs, plus an aggregation and balancing fee to be determined by the commission, not to exceed four-tenths of one cent per therm delivered during the first year; and

(3) Not require telemetry or special metering, except for individual school meters over one hundred thousand therms annually.

5. The commission may suspend the tariff as required pursuant to subsection 3 of this section for a period ending no later than November 1, 2002, and shall approve such tariffs upon finding that implementation of the aggregation program set forth in such tariffs will

not have any negative financial impact on the gas corporation, its other customers or local taxing authorities, and that the aggregation charge is sufficient to generate revenue at least equal to all incremental costs caused by the experimental aggregation program. Except as may be mutually agreed by the gas corporation and eligible school entities and approved by the commission, such tariffs shall not require eligible school entities to be responsible for pipeline capacity charges for longer than is required by the gas corporation's tariff for large industrial or commercial basic transportation customers.

6. The commission shall treat the gas corporation's pipeline capacity costs for associated eligible school entities in the same manner as for large industrial or commercial basic transportation customers, which shall not be considered a negative financial impact on the gas corporation, its other customers, or local taxing authorities, and the commission may adopt by order such other procedures not inconsistent with this section which the commission determines are reasonable or necessary to administer the experimental program.

7. Tariffs in effect as of August 28, 2005, shall be extended until terminated by the commission.

(L. 2002 H.B. 1402, A.L. 2003 H.B. 208 merged with S.B. 686, A.L. 2004 S.B. 878 merged with S.B. 968 and S.B. 969, A.L. 2006 S.B. 558)

---- end of effective **28 Aug 2006** ----
[use this link to bookmark section 393.310](#)

Click here for the [Reorganization Act of 1974 - or - Concurrent Resolutions Having Force & Effect of Law](#)

In accordance with Section [3.090](#), the language of statutory sections enacted during a legislative session are updated and available on this website on the effective date of such enacted statutory section.



► Other Information

► Other Links



Missouri Senate



MO.gov



Missouri House

Errors / suggestions -
WebMaster@LR.mo.gov

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Appendix 2
Issue: In the Matter of Spire Missouri's Request for Authority
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MISSOURI PUBLIC SERVICE COMMISSION

CASE No. GR-2021-0108

APPENDIX 2

PROPOSED TARIFF LANGUAGE

ON BEHALF OF

MISSOURI SCHOOL BOARDS' ASSOCIATION

**Jefferson City, Missouri
May 26, 2021**

E. Transportation Capacity:

Participating ESEs may request annually in writing, and the Company will release to the participating ESEs or their agent, primary firm transportation capacity on Enable Mississippi River Transmission Corporation, Spire STL, or Southern Star Central interstate pipelines at the Company's cost of such capacity in accordance with the capacity release procedures contained in the respective Federal Energy Regulatory Commission approved pipeline tariff. Such capacity shall be released to and taken by the party designated by the Association on a recallable basis, but will not be recalled by the Company unless requested by the Association and agreed to by the Company, or unless the Association fails to deliver gas supplies in accordance with the Adjusted Delivery Schedule, as further adjusted for any imbalance, as set forth in Section G. The amount of capacity released during the respective November through March winter month season and April through October summer month season shall equal 110% of the maximum daily use based on the most recent seven years of usage for each respective season, as adjusted for Association account additions and drops. If such maximum daily use history is not available, Company shall estimate such maximum daily use based on other available data, including sample daily school use, school calendars, school cancellations, weather algorithms, maximum daily nominations and factors described in Sheet No. R-25 of the Company's tariff for such ESE and the peak monthly degree days that occurred during the most recent seven years.

E. Transportation Capacity (REDLINE):

~~Following Participating ESEs may written request annually in writing, and T~~the Company will release to the participating ESEs or their agent, primary firm transportation capacity on Enable Mississippi River Transmission Corporation (“MRT”), Spire STL, or Southern Star Central interstate pipelines at the Company's cost of such capacity in accordance with the capacity release procedures contained in MRT's the respective Federal Energy Regulatory Commission approved pipeline tariff. Such capacity shall be released to and taken by the party designated by the Association ~~at MRT's maximum FERC approved rate~~ on a recallable basis, but will not be recalled by the Company unless requested by the Association and agreed to by the Company, or unless the Association fails to deliver gas supplies in accordance with the Adjusted Delivery Schedule, as further adjusted for any imbalance, as set forth in Section G. The amount of capacity released ~~shall equal~~ during the respective November through March winter month season and ~~during the~~ April through October summer month season shall equal 11035% and 60% respectively, of the maximum nomination daily use during based on the most recent seven years of usage for the each respective season, as adjusted for Association account additions and drops, average daily consumption of participating ESEs in the peak usage month for each such ESE that occurred during the 24 months ending September 30, 2002. If such maximum daily use age history is not available, Company shall estimate such maximum daily use based on other available data, including sample daily school use, school calendars, school cancellations, weather algorithms, maximum daily nominations and ~~consumption shall be estimated using the~~ factors described in Sheet No. R-25 of the Company's tariff for such ESE and the peak monthly degree days that occurred during the most recent seven years ~~24 months ending September 30, 2002.~~

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

In the Matter of Spire Missouri Inc.'s d/b/a)
Spire Request for Authority to Implement a) **File No. GR-2021-0108**
General Rate Increase for Natural Gas)
Service Provided in the Company's)
Missouri Service Areas)

AFFIDAVIT OF LOUIE R. ERVIN II.

STATE OF IA)
)
 COUNTY OF Linn) ss.

Louie R. Ervin II, being first duly sworn on his oath, states:

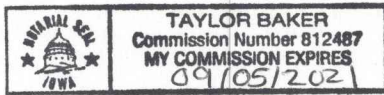
1. My name is Louie R. Ervin II. I work in Cedar Rapids, Iowa and am employed by Latham, Ervin, Vognsen & Associates, Inc. as the President and Chief Operating Officer.

2. Attached hereto an made a part of hereof for all purposes is my Testimony on behalf of Missouri School Boards' Association which has been prepared in written form for introduction into evidence in the above referenced case.

3. I hereby swear and affirm that my answers contained in the questions therein propounded are true and correct to the best of my knowledge and belief.

Louie R. Ervin II
 Louie R. Ervin II
 President/Chief Operating Officer
 Latham, Ervin, Vognsen & Associates, Inc.

Subscribed and sworn to before me this 25 day of May, 2021.



Taylor Baker
 Notary Public