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Exhibit No.:
Issue: WNAR Adjustment Issue
Witness: Scott A. Weitzel
Type of Exhibit: Direct Testimony
Sponsoring Party: Spire Missouri Inc.
Case Nos.: GO-2019-0058; GO-2019-0059
Date Testimony:
Prepared: November 16, 2018

SPIRE MISSOURI INC.

GO-2019-0058; GO-2019-0059

DIRECT TESTIMONY

OF

SCOTT A. WEITZEL

November 2018

Company & Exhibit No. 100
Date 1-15-19 Reporter Bjr
File No. GO-2019-0058
GO-2019-0059

1 **DIRECT TESTIMONY OF SCOTT A. WEITZEL**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Scott A. Weitzel and my business address is 700 Market Street, St.
4 Louis, Missouri 63101.

5 **Q. WHAT IS YOUR PRESENT POSITION?**

6 A. I am Manager of Tariffs and Rate Administration for Spire Missouri, Inc. (“Spire”
7 or “Company”).

8 **Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND**
9 **BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.**

10 A. I have been in my present position since August 2016, when I joined Spire. In
11 this position, I am responsible for administration of rates, rules and regulations of
12 Spire Missouri Inc., including its operating units, Spire Missouri East and Spire
13 Missouri West, as filed with the Missouri Public Service Commission.

14 **Q. PLEASE BRIEFLY DESCRIBE YOUR PREVIOUS PROFESSIONAL**
15 **EXPERIENCE PRIOR TO JOINING LACLEDE.**

16 A. Upon graduation from college, I was employed by CenterPoint Energy as a Gas
17 Marketing Rep/Analyst where I handled billing, nominations, hedge settlement,
18 and account management for commercial, industrial and municipal gas customers.
19 I then spent 9 years working for Ameren Missouri in various roles relating to its
20 gas supply operations. This work included scheduling gas, peak day planning,
21 capacity and storage planning, gas supply procurement, capacity releases,
22 hedging, gas accounting, responding to data requests, PGA analysis, and review
23 of competitor’s tariffs and cases. I then went to work for Ameren Illinois in gas

1 business development where I focused on extending natural gas to communities
2 that were not currently supplied with natural gas and on acquiring gas utilities and
3 municipalities.

4 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

5 A. I graduated from University of Missouri in Columbia in 2003 with a Bachelor of
6 Science in Human Environmental Sciences, with a major in Consumer Affairs and
7 a minor in Leadership and Public Service. I received a Masters of Business
8 Administration from Webster University in 2007.

9 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS**
10 **COMMISSION?**

11 A. Yes, in Case Nos. GR-2017-0215, GR-2017-0216 and GU-2019-0011.

12 **PURPOSE OF TESTIMONY**

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of my testimony is to explain the Company's position on an issue
15 that has arisen in connection with the first Weather Normalization Adjustment
16 Rider ("WNAR") adjustment filed by Spire on behalf of its Spire West and Spire
17 East operating units. The WNAR was approved by the Commission as part of the
18 Company's most recent rate case proceedings, Case Nos. GR-2017-0215 and GR-
19 2017-0216. Because the issue is identical for both the Spire West and Spire East
20 filings, I will address the issue in this one piece of testimony.

21 **NATURE OF THE ISSUE**

22 **Q. WHAT IS THE NATURE OF THE ISSUE YOU WILL BE ADDRESSING?**

1 A. The issue is primarily one of tariff interpretation. On August 31, 2018, Spire filed
2 tariff sheets to effectuate a decrease to its WNAR for its Spire East operating unit
3 and an increase for its Spire West operating unit. As directed by the Commission,
4 Staff filed its recommendation in response to the Company’s tariff filing in which
5 it recommended that the Commission reject the tariff filing for both operating
6 units for two reasons, both of which involved the Actual Heating Degree Days
7 (“AHDDs”) and Normalized Heating Degree Day (“NHDDs”) used to weather
8 normalize usage.

9 **Q. WAS ONE OF THE TWO REASONS FOR STAFF’S OBJECTION**
10 **ULTIMATELY RESOLVED?**

11 A. Yes. The first reason cited by Staff involved the Company’s inclusion of AHDDs
12 and NHDDs from April 19, 2018 – the effective date of the WNAR – in its
13 weather normalization adjustment calculation. The Company agreed with Staff
14 that the inclusion of this data from April 19, 2018 resulted in a mismatch of data
15 in its WNAR calculation so it promptly filed a substitute tariff sheet to eliminate
16 this mismatch.

17 **Q. WHAT WAS THE SECOND REASON GIVEN BY STAFF FOR**
18 **RECOMMENDING REJECTION OF THE WNAR TARIFF FILING?**

19 A. The second reason involved Staff’s assertion that Spire “did not appropriately
20 allocate a given month’s NHDDs among that month’s days as provided in the
21 tariff.” According to the Staff, this alleged deficiency arises from the fact that the
22 Company did not update its rate case NHDD information according to Staff’s
23 “ranking” method in calculating its WNAR adjustment in these cases by re-

1 ranking those NHDDs to include AHDDs experienced after the test year. As I
2 understand it based on numerous meetings and discussions with Staff, the ranking
3 method reshuffles a given month's NHDDs in an attempt to match the historic 30-
4 year results to current year results. This is done by moving the highest level of
5 historic 30-year NHDDs to occur in that month to match the coldest day that
6 actually occurred in the current year's month, then doing the same for the second
7 coldest, third coldest and so on. While this still maintains the same total number
8 of NHDDs determined in the most recent rate case, these NHDDs now occur on
9 different days of the month than was determined in the most recent rate case.

10 **Q. DO YOU AGREE THAT THE COMPANY'S TARIFF REQUIRES USE OF**
11 **THIS RANKING METHOD?**

12 A. No. As I discuss below, there are a number of reasons why Staff's position is
13 incorrect. First, there is nothing in the Company's WNAR tariff that even
14 mentions the Staff's ranking method, let alone mandates that NHDDs be re-
15 ranked annually in future years. Second, whether the Staff's ranking method
16 should be used to normalize weather was not an issue that was ever litigated in the
17 rate cases in which the WNAR was approved and such a methodology shouldn't
18 be implemented based on a tariff interpretation that doesn't even mention the
19 method. Third, Staff's assertion that its ranking methodology be reapplied to
20 change the approved level of NHDDs based on information from beyond the test
21 year is flatly inconsistent with how other items decided in a rate case are used in
22 subsequent adjustment filings. Finally, use of the Staff's re-ranking method
23 would tend to create unpredictable variations in the Company's WNAR

1 adjustments, given the interplay between the ranking method and seasonal rate
2 changes and other factors.

3 **INCONSISTENCY WITH TARIFF LANGUAGE**

4 **Q. WHAT DOES THE COMPANY'S WNAR TARIFF SAY ABOUT USING**
5 **THE STAFF'S RANKING METHODOLOGY FOR PURPOSES OF**
6 **MAKING ADJUSTMENTS UNDER THE WNAR?**

7 A. There is simply nothing in the WNAR tariff sheets that were approved by the
8 Commission that references, endorses or otherwise supports the use of this
9 ranking methodology for purposes of calculating WNAR adjustments. The tariff
10 does define the NHDDs that are to be used in the WNAR calculation as the "total
11 normal heating degree days based upon Staff's daily normal weather *as*
12 *determined in the most recent rate case.*" See Original Tariff Sheet No. 13
13 (*emphasis supplied*). Consistent with this tariff provision, the Company used the
14 specific NHDDs determined by Staff in the most recent rate case to calculate its
15 WNAR adjustment based on a 30-year adjusted average of NOAA data. The
16 tariff does not, however, describe or even mention the methodology that Staff is
17 now proposing to use to allocate or apportion NHDDs between different days in a
18 particular month, any more than it mentions updating the 30-year average for an
19 additional year's data.

20
21 **Q. WHY IS THE ABSENCE OF ANY TARIFF LANGUAGE DESCRIBING**
22 **AND MANDATING THE USE OF STAFF'S RANKING METHOD**
23 **PARTICULARLY SIGNIFICANT IN THIS INSTANCE?**

1 A. For two reasons. First, the WNAR tariffs are fairly detailed in describing how
2 adjustments under the mechanism are to be made. It sets forth a specific formula
3 for making such adjustments, the co-efficient that is to be used, and when each
4 filing is to be made, as well as other details. Given this degree of specificity, it
5 seems reasonable to assume that the tariff would have mentioned and described
6 that baseline NHDDs would be updated based on Staff's ranking methodology if
7 that method was to be continually reapplied and used to calculate WNAR
8 adjustments. Certainly, the words "as determined in the rate case" is not
9 sufficient to convey that concept. Instead, a much more reasonable meaning is
10 that the actual 30-year NHDD outputs *determined* in the rate case, including the
11 days of the month on which those occurred, were to be used for making such a
12 calculation.

13 **Q. WHAT IS THE SECOND REASON THAT THE ABSENCE OF TARIFF**
14 **LANGUAGE DESCRIBING AND MANDATING THE USE OF THE**
15 **RANKING METHOD SHOULD BE CONSTRUED AS NOT REQUIRING**
16 **THE RE-APPLICATION OF SUCH A METHODOLOGY WHEN**
17 **ADJUSTMENTS ARE CALCULATED?**

18 A. Because the tariff was essentially written by the Staff, with some subsequent input
19 by the Company, if the Staff wanted to annually re-apply its ranking
20 methodology, it was incumbent on the Staff to describe the ranking methodology
21 in its proposed tariff language or, at the very least, advise the Company before the
22 tariff was finalized that the words "as determined in the rate case" was intended to
23 require such a result. Staff did neither.

1 **Q. DID THE STAFF EVER ADVISE THE COMPANY IN ADVANCE THAT**
2 **IT INTENDED THE WORDS “AS DETERMINED IN THE RATE CASE”**
3 **TO BE CONSTRUED AS MEANING THAT THE RANKING**
4 **METHODOLOGY WOULD BE RE-APPLIED IN CALCULATING EACH**
5 **WNAR ADJUSTMENT.**

6 A. No, it did not. Although we had numerous discussions with the Staff regarding
7 certain elements of the WNAR tariff before it was finalized, at no time did the
8 Staff mention that its language contemplated the re-application of its ranking
9 methodology in calculating future WNAR adjustments. In fact, it came as a
10 complete surprise to the Company when this intent was first mentioned during
11 discussions in late August when the Company was vetting its first WNAR
12 adjustment with the Staff. Neither I nor other members of the Company’s rate
13 design team could recall any prior discussion with the Staff where this intent was
14 mentioned or even alluded to by Staff.

15 **INCONSISTENCY WITH ISSUES LITIGATED AND DETERMINED**

16 **Q. WAS USE OF STAFF’S RANKING METHODOLOGY FOR MAKING**
17 **FUTURE WNAR ADJUSTMENTS AN ISSUE THAT WAS LITIGATED**
18 **AND RESOLVED BY THE COMMISSION IN THE RATE CASES?**

19 A. No. Although Staff witness Seoung Joun Won expressed Staff’s preference for
20 using the ranking methodology to normalize weather in the rate cases, he never
21 addressed its re-application and use in calculating future WNAR adjustments.
22 Nor did the Staff address use of the ranking methodology in its testimony relating
23 to the WNAR. The issue was also not identified in the List of Issues submitted by

1 the Parties in the rate cases. As a result, the issue was never brought before the
2 Commission, let alone considered and resolved by the Commission.

3 **Q. IN YOUR VIEW WHAT IS THE SIGNIFICANCE OF THIS?**

4 A. I think this creates a situation where the Staff is essentially trying to prevail on a
5 policy matter – i.e. whether its ranking methodology should be used to calculate
6 WNAR adjustments or, for that matter, used at all – without following the process
7 for making such determinations. That process, of course, usually entails that such
8 policy issues be agreed upon by the Parties and approved by the Commission or,
9 in the absence of such agreement, litigated and decided by the Commission
10 through the rate case process.

11 **INCONSISTENCY WITH OTHER ADJUSTMENT MECHANISMS**

12 **Q. IS THE STAFF'S PROPOSED RE-APPLICATION OF THE RANKING**
13 **METHODOLOGY TO CALCULATE EACH WNAR ADJUSTMENT**
14 **CONSISTENT WITH METHODOLOGIES USED IN CALCULATING**
15 **ADJUSTMENTS UNDER OTHER ADJUSTMENT MECHANISMS.**

16 A. No. There are a number of outputs that are determined in rate cases and then used
17 to calculate adjustments under various adjustment mechanisms. For example, in
18 the Company's most recent rate cases, the Commission determined a return on
19 equity, cost of debt and capital structure. These items were all determined by the
20 Commission based on methodologies proposed by the parties. Under the ISRS
21 statute the outputs are then used to calculate ISRS adjustments. In fact, the ISRS
22 statute uses language that is very similar to that used in the WNAR to specify the

1 use of these ratemaking outputs. Specifically, the statute says that in calculating
2 ISRS adjustments, the Commission shall use:

3 (2) The gas corporation's actual regulatory capital structure *as determined during*
4 *the most recent general rate proceeding* of the gas corporation;

5 (3) The actual cost rates for the gas corporation's debt and preferred stock *as*
6 *determined during the most recent general rate proceeding* of the gas corporation;

7 (4) The gas corporation's cost of common equity *as determined during the most*
8 *recent general rate proceeding* of the gas corporation; (emphasis supplied)

9
10 **Q. HAS THIS LANGUAGE EVER BEEN INTERPRETED TO MEAN THAT**
11 **THE COMPANY RE-APPLIES THE METHODOLOGY THAT WAS**
12 **USED OR RELIED UPON TO DETERMINE CAPITAL STRUCTURE,**
13 **DEBT COSTS AND THE COST OF COMMON EQUITY EACH TIME IT**
14 **PETITIONS FOR AN ISRS ADJUSTMENT?**

15 A. No. All of these are fixed outputs from the rate case that are then used to
16 calculate ISRS charges, without modification. No effort is made, as Staff is
17 trying to do with its ranking methodology, to re-apply whatever methodologies
18 may have been used or relied upon to develop these rate elements in the rate case
19 for purposes of calculating ISRS charges.

20 **Q. ARE THERE OTHER EXAMPLES WHERE RATE ELEMENTS USED IN**
21 **ADJUSTMENT MECHANISMS ARE ESTABLISHED IN A RATE CASE**
22 **AND THEN USED WITHOUT MODIFICATION UNTIL RE-**
23 **ESTABLISHED IN A SUBSEQUENT CASE?**

24 A. There are numerous examples where rate elements necessary to calculate the
25 Company's PGA/ACA charges are established in rate cases and then used to
26 calculate PGA/ACA adjustments, again without any re-application of the
27 methodology used to establish the rate element. Among others, these would

1 include the class volumes used to calculate PGA rates, various PGA rate design
2 elements, etc. For example, we do not update the annual usage determined in the
3 most recent rate case to spread the PGA costs over usage based on current
4 weather or changes in efficiency that might change consumption even on a
5 weather normalized basis.

6 **Q. DOES THIS MEAN THAT NONE OF THESE ELEMENTS COULD BE**
7 **RE-DETERMINED OUTSIDE A RATE CASE?**

8 A. Not necessarily. But it does mean that it is not the normal custom and practice to
9 vary such elements based on the reapplication of a specific methodology,
10 especially where that methodology has not been spelled out in any detail in the
11 tariff. That is certainly the case with Staff's approach to re-applying its ranking
12 methodology, and another reason why that effort such be rejected.

13 **INCONSISTENCY WITH GOALS OF WNAR**

14 **Q. YOU MENTIONED THAT USE OF STAFF'S RANKING**
15 **METHODOLOGY MAY ALSO PRODUCE UNACCEPTABLE**
16 **VARIATIONS IN ADJUSTMENTS MADE UNDER THE WNAR. WHAT**
17 **DID YOU MEAN BY THAT?**

18 A. In addition to not being specifically authorized by the WNAR tariff, the Company
19 is also concerned that the use of such a methodology will result in significant and
20 unnecessary variations, both up and down, in how the WNAR tariff is calculated
21 during a specific period. Using this methodology, it would create different
22 outcomes based on how much the current weather moved the 30-year NHDDs in
23 a month, rather than how much the current weather varied from the 30-year

1 NHDDs. Based on discussions with Staff, it appears this ranking approach is
2 designed to reduce the daily variation between Actual and Normal usage that was
3 captured in the WNAR, rather than reduce the financial impact that weather
4 variation caused relative to the determinants, rates and revenues agreed to in the
5 most recent rate case. In the Company's view there is simply no reason for
6 introducing unnecessary variation in a mechanism that is essentially designed to
7 mitigate variation based on the impact of weather on customer usage.

8 **Q. PLEASE CONTINUE.**

9 A. By re-ranking the "normal" degree days based only on current year information, it
10 can (and likely will) change the billing cycle degree days between billing months.
11 Since each of the summer months have different Weighted Residential
12 Volumetric Rates ("WRVR") and the summer rates are completely different from
13 the winter volumetric rates, as "normal" degree days are changed between billing
14 months, the calculation of the adjustment will be different. I do not believe that is
15 an outcome that the Commission would have expected and it is not a normal
16 process between rate cases.

17 **Q. DOES SPIRE MISSOURI BELIEVE THAT THE STAFF'S RE-RANKING**
18 **METHODOLOGY WILL HAVE AN ADVERSE IMPACT ON THE**
19 **COMPANY?**

20 A. It is not clear what impact the re-ranking would have over time. The Company
21 opposes Staff's position not based on adverse financial impact, but because Staff
22 is using daily normal weather that was not determined in the most recent rate
23 case, for the reasons explained in this testimony.

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes, it does.

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

In the Matter of Spire Missouri Inc.'s)
WNAR Adjustment Issue) File No. GO-2019-0058;
) File No. GO-2019-0059
)

AFFIDAVIT

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

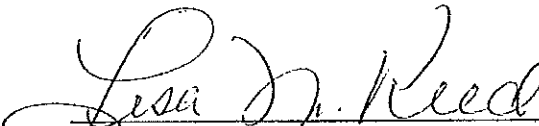
Scott A. Weitzel, of lawful age, being first duly sworn, deposes and states:

1. My name is Scott A. Weitzel. I am Manager, Tariffs and Rate Administration for Spire Missouri Inc. My business address is 700 Market St., St Louis, Missouri, 63101.
2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Spire Missouri Inc. for the above referenced case.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.



Scott A. Weitzel

Subscribed and sworn to before me this 16th day of November 2018.



Notary Public

