Exhibit No.:	___
Issues:	**Capitalization of Overhead Expenses** **Insurance Premiums** **Injuries and Damages** **Rate Case Expense** **Pension, OPEB, SERP** **Uncollectibles** **Reporting** **Corporate Allocations**
Witness:	**Eric Bouselli**
Type of Exhibit:	**Rebuttal Testimony**
Sponsoring Party:	**Spire Missouri Inc.**
Case No:	**GR-2022-0179**
Date Testimony Prepared:	**October 7, 2022**

SPIRE MISSOURI INC.

CASE NO. GR-2022-0179

REBUTTAL TESTIMONY

OF

ERIC BOUSELLI

<u>Denotes Confidential Information**</u>** **P**

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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, Missouri 63101.

Q. ARE YOU THE SAME ERIC BOUSELLI WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My rebuttal testimony addresses the issue of capitalization of overhead expenses, discussed in Staff Witness Young's testimony; insurance premium and injuries and damages expense adjustments discussed in Staff Witness Amenthor's testimony; overhead external audit fees, rate case expense, and pension, OPEB, and SERP discussed in Staff Witness Dhority's testimony; uncollectibles and reporting requirements discussed in Staff Witness Ferguson's testimony; and corporate allocations discussed in OPC Witness Schaben's testimony.

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A. The majority of my rebuttal testimony will focus primarily on the methods used by Staff to arrive at certain overhead, insurance premium expense, and pension, OPEB, SERP adjustments. The Company does not disagree that adjustments are needed. But the methods to arrive at the adjustments must be logical, use comparable information, and not comingle overhead impacts between cases. The remainder of my testimony will address the reasonableness of the proposed adjustments related to overhead audit fees, rate case expenses, injuries and damages, uncollectibles, corporate allocations, and any reporting requirement changes proposed.

II. OVERHEAD CAPITALIZATIONS AND RATE CASE IMPLICATIONS

Q. PLEASE BRIEFLY SUMMARIZE STAFF WITNESS YOUNG'S RECOMMENDATIONS WITH RESPECT TO THE ISSUE OF OVERHEAD CAPITALIZATIONS.

A. Mr. Young recommends adjusting the test year in the current case to recognize the changes in Spire Missouri's capitalization methodologies. He also recommends the recovery of deferred overhead costs related to construction. Proposed rate base treatment and amortization over a 15-year period were applied to the deferred overhead costs related to construction in Staff's direct filing.

Q. DO YOU AGREE WITH STAFF WITNESS YOUNG'S RECOMMENDATIONS?

A. Yes and no. Both Staff and Company agree that the revised overhead methodology should impact the cost of service. It was generally acknowledged by parties in the Company's last case that any change to capitalized overheads would have a corresponding and opposite impact to the cost of service. In other words, lower levels of overhead capitalization result in higher expenses and rates. Since its last case, Spire's non-operational overhead methods and rates were reviewed by Staff as part of its Commission-ordered overheads review. The outcomes of the overhead rates from the studies, which were subsequently sanctioned by Staff, generally pointed to a significant decrease in capitalization rates from those assumed in the final Staff cost of service model in GR-2021-0108. As such, one would expect to see a corresponding increase in expense.

Mr. Young considered some of the deferred overhead costs in Staff's Direct filing, but he overlooked a significant portion of the total deferred costs. For the deferred overheads related to construction, a significant portion of costs were omitted from the balance and related revenue requirement.

Q. HAS THE COMPANY HAD MULTIPLE MEETINGS AND CORRESPONDENCE WITH STAFF ON THIS ISSUE?

A. Yes. These meetings have been productive in understanding the mechanics of this adjustment. The Company expects this omission to be corrected in Staff's rebuttal testimony and accounting schedules. The Company appreciates Staff's time and attention to this important issue. Both the Company and Staff have spent significant time in understanding overheads, and we want to make sure to get this right.

Q. **WHAT SPECIFICALLY DO YOU DISAGREE WITH?**

A. I have three areas of disagreement:

1) The impacts of the change in overhead capitalization methodology;
2) The eligible overhead deferral balance; and
3) The ineligible overhead deferral balance.

Q. PLEASE EXPLAIN YOUR DISAGREEMENT WITH HOW MR. YOUNG PROPOSES TO CALCULATE THE IMPACT OF THE CHANGE IN METHODOLOGY.

A. I reviewed the adjustments proposed by Mr. Young, validated some of the adjustments made, and looked for root causes of why there may be differences from Spire's expectations in others. The largest difference observed was in Staff's overhead related payroll adjustment. Any errors or issues observed here impacted Staff's subsequent payroll tax, 401k, and PR benefits calculations. Spire expected a combined Missouri East/West cost of service impact related to A&G payroll overheads of $11.7 million, largely due to the drastic decrease in overhead rates that came for the Staff endorsed PwC time study reports. However, rather than an increase to A&G expenses, Staff proposed a decrease of approximately $4.7 million. Considering the related payroll tax and benefit implications, this is approximately an $18 million difference between Staff and Company. Upon reviewing the cause of this gap, I believe the difference is due to a methodology/input error rather than a philosophical difference between Staff and Company. Many of the facts and inputs should not be disputed. We are using Staff approved rates from the Staff Report and the comparison point is Staff true-up data from GR-2021-0108. That leaves minimal room for differences to arise.

Q. WHAT IS THE ROOT ISSUE CAUSING THE DIFFERENCE BETWEEN STAFF AND THE COMPANY'S ESTIMATE OF OVERHEAD IMPACTS?

A. An improper O&M rate is being used by Staff in this case, which is the root issue causing the difference between Staff and Company's estimate of overhead impacts. Spire used a two-step approach to separate overhead and payroll adjustments. Staff conflates the two in its workpapers.

I reviewed the other overhead methodology change adjustments made by Mr. Young and agree with the methodology used for the employee benefits, new claims overheads, training, IT, and director cost adjustments.

Q. PLEASE EXPLAIN YOUR DISAGREEMENT WITH HOW MR. YOUNG CALCULATES BOTH THE ELIGIBLE AND INELIGIBLE OVERHEAD BALANCE.

A. One of the components of the deferred overheads was excluded from Mr. Young's buildup of the deferral balance. Deferred costs pertaining to insurance premiums were excluded from both his eligible and ineligible balances. Approximately $2.8 million and $1.5 million was excluded from the balances at Spire Missouri East and West, respectively. It is possible that this exclusion arose over a misunderstanding due to the description of the cost element representing these costs. The description is similar to that of cost that I believe Mr. Young properly excluded from the eligible and ineligible deferred overheads balances, related to the newly allowed claims overheads.

Any balance adjustments will carry over to the subsequent amortization and revenue requirement calculation, where applicable.

Q. WHAT ARE THE CURRENT DEFERRED OVERHEADS BALANCES?

A. Please see the confidential table below for the amended balances as of August 31, 2022. Note that balances have been amended to exclude any claims related impacts, consistent with Staff Witness Young's treatment of those costs.

** [redacted] **

Q. PLEASE EXPLAIN YOUR DISAGREEMENT WITH HOW MR. YOUNG HANDLED THE INELIGIBLE DEFERRAL BALANCE.

A. My primary disagreement is that he was completely silent on this category of cost in his testimony. The Commission's 2021 Order stated:

> The recognition of disallowed capitalized overheads as expenses of Spire Missouri will not be recoverable outside of a rate case test period. The potential recovery of any of the disallowed capitalized non-operational overheads as expenses that remain in the regulatory asset account through the test year, update or true-up period of Spire Missouri's next rate case will be reviewed by the Commission during that rate case. Overhead costs determined to be in compliance with the USOA Plant Instruction requirements shall be included in rate base at the first opportunity, whether in an ISRS case or rate case. (pp. 82-83).

These deferred costs ineligible for capitalization are still real costs largely representing prudently incurred, employee salaries and benefits that the Company was not granted adequate recovery of at the conclusion of last case. It is only fair that Staff consider the Company's need to recover these costs. The duration of that recovery is another matter. Typically, costs of service items are recovered annually through rates. Other costs are fully recovered over a longer term, typically tied to an asset life.

Q. PLEASE PRESENT YOUR RECOMMENDED CALCULATIONS OF (1) THE IMPACT OF THE METHODOLOGY CHANGE; (2) THE ELIGIBLE DEFERRAL BALANCE; AND (3) THE INELIGIBLE DEFERRAL BALANCE.

A. For the impact of the methodology change, I'd encourage Mr. Young to be consistent with the A&G and accompanying payroll tax adjustment with other overhead related adjustments he made, specifically the method used to calculate the IT Cost adjustment. This method is simple, accurate, and doesn't conflate overhead changes with other adjustments. For both the eligible and ineligible deferral balances, the insurance premium related portion currently excluded from the balance by Staff should be added back in.

Q. WHAT AMORTIZATION PERIOD(S) DOES MR. YOUNG PROPOSE FOR RECOVERY OF THE DEFERRAL BALANCES?

A. Mr. Young proposed a 15-year amortization period for the deferred overhead costs eligible for capitalization. As mentioned earlier, Staff is silent on the deferred ineligible costs for capitalization, including proposing an amortization period. Hopefully, this omission was an oversight by Mr. Young that will be addressed in subsequent Staff testimony.

Q. DO YOU AGREE WITH MR. YOUNG'S PROPOSED AMORTIZATION PERIOD(S)?

A. I agree with the period suggested for the eligible portion of the deferral. Staff proposed rate base treatment for these costs. Rate base consists of longer-lived assets. The 15-year period is consistent with this treatment. The ineligible portion of the deferral needs to be recovered by the Company as well. Since these costs were not mentioned, they were not given rate base treatment in Staff's model. The expectation is that the amortization period would be less than 15 years, since these are expense items.

Q. WHAT AMORTIZATION PERIOD(S) DO YOU RECOMMEND?

A. Under the normal course of business, these costs would be recovered annually through cost of service. The Company understands that it may not be feasible to grant recovery of these costs within a year. Given the lack of rate base treatment, and traditionally shorter recovery time for these types of costs, the Company believes amortization over five years is reasonable.

Q. WHY DO YOU BELIEVE YOUR RECOMMENDED AMORTIZATION PERIOD(S) ARE REASONABLE?

A. The ineligible costs were not included in Staff's rate base build-up, as such, a shorter recovery period is appropriate and reasonable.

Q. ARE THERE ANY OTHER ISSUES WITH THE INELIGIBLE DEFERRED OVERHEADS THAT YOU ARE AWARE OF?

A. In addition to Staff's silence on these costs, there is an issue with the deferral period specified in multiple Commission Orders for ineligible deferred overheads. The Orders focus on the time period through "the test year, update or true-up period" of the rate case. However, the Company will continue to incur costs associated with ineligible overheads up to the implementation of new rates, which will not be in place until after the end of the true-up period. There is approximately $2 million per month that is added to this deferral. The Company plans to continue deferral until new base rates become effective. The Company hopes to address this as part of the rate case proceedings with the parties but reserves the right to request an AAO or tracker to recover these costs if it cannot be resolved in this case. The Commission has authorized Spire to put these costs in a regulatory asset, so allowing the Company to recover costs incurred between a true-up period and the effective date of rates in this case complies with the spirit of the Commission's prior rate case order and the subsequent orders on capitalization of overheads.

Q. WILL THE EXPECTED PWC TIME STUDY UPDATES IMPACT THE COMPANY'S COST OF SERVICES OR DEFERRED ASSET BALANCES?

A. Yes. The final installment of PwC's time study is expected shortly. At this point in time, any impacts to cost of service or the deferred overhead costs are not known. The Company will provide Staff with the report and the expected impacts to cost of service and the deferrals.

Q. ARE THERE ANY OTHER ISSUES RELATED TO CHANGES IN OVERHEADS METHODOLOGY AND RATES?

A. Yes. Staff's current payroll and related adjustments are being impacted by Mr. Young's methodology discussed earlier, and the improper use of an O&M rate. Spire witness Antrainer will be addressing the gross payroll differences between Staff and Company. Staff witness Dhority relies on an input to her analysis called "test year payroll – adjusted for overheads" that came from Mr. Young's overheads adjustment analysis. As stated earlier, his analysis was mechanically incorrect, and the use of this information contributes to an errant payroll adjustment. Additionally, the O&M rate used by Ms. Dhority in the payroll analysis is not the correct rate to use as it is not comparable to what Staff used in the last case for the payroll analysis. Using incongruent rates will result in incorrect outputs. The rate she used is applicable to benefit overhead related adjustments but not to payroll.

Q. WHAT METHODOLOGY CHANGES SHOULD BE MADE?

A. As mentioned earlier, Spire proposes the use of a two-step approach to separate overhead and payroll adjustments. This will more clearly delineate the changes required for the two categories since last case. If Mr. Young can adopt the use of the agreed upon rates to separately adjust for the overheads, then Ms. Dhority can make the payroll adjustment. The "Capital Payroll % Pre-920 Trsfrs" rate found in DR42 is the most applicable rate to use to arrive at an O&M percentage to apply to payroll. This rate is similar to what Staff used for the payroll adjustment last case. As a matter of fact, in the last case, Staff asked that Spire include these rates in future data requests because there was confusion around the rate to use in the payroll adjustment. Once the correct payroll adjustment is made, one more additional A&G payroll overheads adjustment can be made for the resulting Staff adjustment to FERC 920000. Staff can then calculate the related payroll tax, 401k, and other benefit related adjustments.

III. INSURANCE PREMIUM AND INJURIES AND DAMAGES EXPENSE ADJUSTMENTS

Q. DO YOU AGREE WITH STAFF WITNESS AMENTHOR'S RECOMMENDATIONS REGARDING INSURANCE PREMIUM ADJUSTMENTS?

A. I agree with Staff Witness Amenthor that an adjustment is necessary, but I do not agree with the methodology used to arrive at Staff's current proposed adjustment. There is an error in Witness Amenthor's methodology that results in a proposed decrease of insurance expense to the Company of approximately $3.8 million. The issue involves the misapplication of the agreed revised overhead rates to the entire balance of the updated insurance premiums. The overhead rates should only be applied to the difference between the gross expense of Staff's revised premiums and those from last case's amended test year. Staff witness Young already accounted for any overhead rate change impacts as part of his proposed overhead rate change adjustments. Making this change results in a revised increase in insurance premium costs of approximately $2.5 million.

Q. WAS INSURANCE PREMIUMS DISCUSSED WITH STAFF?

A. Yes. The company provided information and attachments about this issue to Staff. This was also discussed at one of our bi-weekly Staff touch points. We believe Staff will make an insurance premium adjustment in rebuttal.

Q. DO YOU AGREE WITH STAFF WITNESS AMENTHOR'S RECOMMENDATIONS REGARDING INJURIES AND DAMAGES ADJUSTMENTS?

A. No, I do not agree with Staff Witness Amenthor's exclusions from injuries and damages. It is not appropriate to exclude the employment practice liability (EPL) net injuries and damages costs incurred over multiple periods. Staff did not provide any rationale for the exclusions in direct testimony or the related workpapers. There was a stipulated exclusion as part of GR-2021-0108 related to a particular EPL case. However, this exclusion is to "end when those rates are replaced by new rates."[1] in the last case, and they have no bearing on this case. The Company, like virtually all large Missouri businesses (and the State of Missouri itself), incurs legal defense and other costs related to the defense of employment practices claims. The portion of expense Mr. Amenthor proposes to disallow is the amount of the deductible associated with claims covered under the Company's employment practices liability insurance policy. Given the relatively low deductible on this line of coverage, the deductible expense is almost always exhausted, regardless of whether a particular claim has merit. This is a necessary and prudent business expense needed to investigate and defend or resolve such claims, as appropriate. Furthermore, even if an exclusion were warranted, Staff's methodology likely overstates the impact to the annual cost of service. Staff uses cumulative values of payments net of reimbursements. Most of these litigation cases last multiple years and removing them all from a single year cost perspective arbitrarily impacts the cost of service.

IV. OVERHEAD EXTERNAL AUDIT FEES ADJUSTMENT

Q. DO YOU AGREE WITH STAFF WITNESS DHORITY'S RECOMMENDATIONS?

A. Yes.

[1] July 30, 2021 Partial Stipulation and Agreement, GR-2021-0108. Pg. 3.

V. RATE CASE EXPENSE ADJUSTMENTS

Q. DO YOU AGREE WITH STAFF WITNESS DHORITY'S RECOMMENDATIONS?

A. The method used by staff to arrive at a normalized amount of rate case expenses to be included in cost of service is reasonable. However, it should be noted that Staff is planning to update the customer notice expense through true-up. The current customer notice expense amount used by Staff is severely understated.

VI. PENSION, OPEB, SERP ADJUSTMENTS

Q. WHAT DOES STAFF WITNESS DHORITY'S RECOMMEND WITH RESPECT TO PENSION COSTS?

A. Staff recommends that the ratemaking methodology for Spire East and Spire West's pension expense continue in a manner similar to that originally agreed to in the Stipulation and Agreement (the "2014 Spire West Stipulation") from Spire West's rate Case No. GR-2014-0007. In that case, Spire West and Staff agreed to several ratemaking methodologies governing the recognition of pension expense in Spire West's cost of service and the use of a tracking mechanism.

Q. DO YOU AGREE WITH STAFF WITNESS DHORITY'S RECOMMENDATIONS?

A. I do not. Witness Dhority's method for handling the allocation of costs to/from affiliates differs from Staff's approach in GR-2021-0108 and in doing so results in an incorrect adjustment, which lowers Staff's cost of service amount by approximately $1.1 million for Spire Missouri East and West combined. Ms. Dhority should adopt the methodology used by Staff in the Company's last rate case by multiplying the Company-specific affiliate allocation factors by the combined Spire Missouri East and West balances for the respective adjustments she calculates. Due to the nature of how the benefit costs currently flow, it is important to maintain consistency with approaches. The Company accepts and understands the other adjustments made, such as pension funding and rebasing amortization.

Q. MS. DHORITY RECOMMENDS SETTING ONGOING PENSION EXPENSE BASED ON SPIRE EAST AND SPIRE WEST'S MINIMUM REQUIRED CONTRIBUTIONS FOR FISCAL YEAR 2022 AS CALCULATED BY SPIRE'S ACTUARY IN ITS CASH FORECAST REPORT PROVIDED IN RESPONSE TO STAFF DATA REQUEST 293. DO YOU AGREE WITH THAT APPROACH?

A. Yes. This approach is consistent with the pension and OPEBs language in the Partial Stipulation Agreement filed in GR-2021-0108 on July 30, 2021.

Q. MS. DHORITY RECOMMENDS INCLUDING THE "PRE GR-2021-0108" TRACKER BALANCE AS OF MAY 31, 2021, AMORTIZED OVER EIGHT YEARS. STAFF ALSO RECOMMENDS INCLUDING THE "POST GR-2021-0108" TRACKER BALANCE AS OF MAY 31, 2022, AMORTIZED OVER A THREE-YEAR PERIOD AS THIS IS CONSISTENT WITH THE TIMEFRAME BETWEEN SPIRE MISSOURI'S FILING OF GENERAL RATE CASES. DO YOU AGREE WITH THAT RECOMMENDATION?

A. Yes, it is a reasonable approach.

Q. WITH RESPECT TO OTHER POSTEMPLOYMENT BENEFITS ("OPEB"), MS. DHORITY TESTIFIES THE SPIRE EAST OPEB TRACKER FOLLOWS THE METHODOLOGY ORDERED BY THE COMMISSION PURSUANT TO THE

2013 SPIRE EAST STIPULATION, AS IMPLEMENTED BY STAFF IN THE 2021 RATE CASE, AND UPDATED THROUGH MAY 31, 2022. MS. DHORITY STATES THAT STAFF HAS INCLUDED THE CUMULATIVE DIFFERENCE BETWEEN THE AMOUNT IN RATES AND THE RESULTING BALANCE AND AMORTIZATION SINCE THE 2021 RATE CASE IN RATES AND THAT STAFF RECOMMENDS AMORTIZATION OF THE CUMULATIVE TRACKER BALANCE AT MAY 31, 2022 OVER A PERIOD OF EIGHT YEARS, AND INCLUSION OF THE CUMULATIVE TRACKER BALANCE AS A NET RATE BASE REDUCTION IN THE COST OF SERVICE. DO YOU AGREE WITH THAT APPROACH?

A. Yes, it is a reasonable approach.

Q. MS. DHORITY TESTIFIES THAT STAFF IS PROPOSING TO INCLUDE A THREE-YEAR AVERAGE OF ANNUITY AND LUMP-SUM PAYMENTS FOR SERP. DO YOU AGREE WITH THAT APPROACH?

A. Yes, it is a reasonable approach.

VII. UNCOLLECTIBLES

Q. DO YOU AGREE WITH STAFF'S CALCULATION OF UNCOLLECTIBLES IN THEIR COST OF SERVICE REPORT?

A. Yes, I do. The methodology they employed makes sense.

VIII. REPORTING REQUIREMENTS

Q. HAVE YOU REVIEWED THE TESTIMONY OF STAFF WITNESS FERGUSON RELATING TO CERTAIN RECOMMENDED REPORTING REQUIREMENTS?

A. Yes, I have.

Q. WHAT REPORTING REQUIREMENTS DOES WITNESS FERGUSON RECOMMEND?

A. Ms. Ferguson recommends that Spire continue to provide the surveillance (i.e., actual earnings information) separately for both of its current rate divisions, Spire East and Spire West as established by Commission order in Case Nos. GR-2017-0215 and GR-2017-0216. Ms. Ferguson suggests the requested reporting requirements should continue on a quarterly basis separately for both the Spire East and Spire West divisions with a complete general ledger with all supporting transactional detail, consistent with FERC USOA requirements that include all income statement and balance sheet transactions by month by FERC account. Ms. Ferguson recommends Spire also include all transactions occurring between Spire Missouri, Inc.'s divisions and all other Spire affiliated entities. Ms. Ferguson states that to be consistent with those utilities that are similarly structured with regulated and unregulated affiliates as well as a services company, Spire should have tax allocation agreements and money pool agreements that spell out what is to occur between Spire and the parent company or other affiliates.

Q. IS SPIRE WILLING TO PROVIDE SUCH REPORTS?

A. Yes, Spire Missouri will continue to provide the quarterly Surveillance Report updates along with general ledger activity. There is also an open docket, GO-2022-0327, surrounding Spire Missouri's CAM update. The Company proposes to work out the affiliate transaction reporting in that case with Staff and OPC. Any issues related to agreements with affiliates can be addressed in that case as well.

Q. DOES STAFF WITNESS FERGUSON RECOMMEND ANY OTHER REPORTS BE SUBMITTED?

A. Yes. Ms. Ferguson lists some reporting requirements that she believes Spire Missouri needs to implement regarding the meter replacement program. Spire witness Jim Rieske will address this in his rebuttal testimony.

IX. CORPORATE ALLOCATIONS

Q. HAVE YOU REVIEWED THE TESTIMONY OF OPC WITNESS SCHABEN RELATING TO CORPORATE ALLOCATIONS?

A. Yes, I have.

Q. CAN YOU SUMMARIZE SCHABEN'S TESTIMONY?

A. Witness Schaben believes that Spire Missouri's burden of shared services costs is too high because Spire, Inc. is not assigned a reasonable share of corporate costs. She also believes that the Commission should factor in the movement of certain shared functions from Spire Missouri and other affiliate utilities to Spire Services on January 1, 2023, in this general rate case proceeding. If, in her opinion, Spire Missouri's allocated shared costs are still too high after the employee transition, then a time study should be used to determine the level of costs that should be allocated to Spire, Inc. Witness Schaben did not provide any dollar amounts for proposed adjustments in her direct filing but expects to have some analysis provided as part of her rebuttal testimony.

Q. WHY DOES SCHABEN BELIEVE THAT SPIRE, INC. IS NOT BEARING ITS FULL SHARE OF COSTS?

A. Witness Schaben makes some faulty assumptions and misinterprets data discussed in her direct filing as partial support for her belief that Spire, Inc. should be charged a portion of shared costs. She lists certain balances in Spire Inc.'s tax return for salaries and wages and depreciation as proof that Spire, Inc. should draw some allocated costs. However, this is an incorrect conclusion and misapplication of the tax return data. Spire, Inc.'s federal tax return is filed on a consolidated basis, with Spire, Inc. as the parent of the group. The entities of Spire Midstream businesses are reflected as disregarded entities for federal tax purposes. As such, their activity gets reported at the Spire, Inc. level. This does not mean that Spire, Inc. itself has any employees, operating assets, etc. The Company's responses to OPC DRs 1126.3-1126.5 are responsive to this issue.

Q. IS THE TRANSITION OF CERTAIN EMPLOYEE GROUPS TO SPIRE SERVICES EXPECTED TO HAVE A MATERIAL IMPACT ON HOW SHARED COSTS ARE DISTRIBUTED?

A. Witness Schaben correctly states that there is currently a project to move certain employee groups from Spire Missouri and other affiliate utilities to Spire Services. The planned transition is January 1, 2023. The Company has been providing periodic updates to the Commission per GR-2021-0108. This transition is not expected to have a material impact on the cost of services for Spire Missouri or any other affiliates for that matter. The same cost collection and subsequent allocation methods will still be used, but there will be better visibility in the movement of shared costs as there will be more of a direct flow from Spire Services for payroll, employee benefits, payroll taxes, etc. Currently these types of costs start at the utility level, move to Spire Services, and then are allocated to base level affiliates such as Spire Missouri. The move will make the bulk of shared costs more direct by removing a large swath of costs from the first step, therefore cleaning up visibility of true Spire Service's costs allocated to affiliate entities.

Q. WHAT STEPS ARE BEING TAKEN TO ENSURE THERE IS TRANSPARENCY IN THIS PROCESS OF MOVING EMPLOYEES TO SPIRE SERVICES?

A. As stated above, the Company has been providing periodic updates to the Commission per GR-2021-0108 approximately every two months and will continue to do so until transition completion. Additionally, after project implementation, Spire proposes a meeting with Staff and OPC to discuss the transition process and provide a final list of all employees moved to Spire Services, the rationale for the selection of employees, and to address any other questions from the parties.

Q. DO YOU THINK A POST EMPLOYEE TRANSITION TIME STUDY WILL RESOLVE WITNESS SCHABEN'S COST ALLOCATION CONCERNS AS IT PERTAINS TO SPIRE, INC. AND SPIRE MISSOURI?

A. No, Spire already seeks to ensure fair cost collection and distribution among its affiliates to prevent subsidization of any one entity. Spire's objective is to directly assign costs to the utility operating companies and affiliates to the extent it is possible and practical to do so. For costs that are not directly charged to a specific entity, the company currently uses cost causation factors that most closely align with the business driver of the costs and benefitting entities. The FY2021 CAM report shows that Spire Missouri employees are direct charging Spire affiliates, including Spire, Inc. The same report shows the volume of dollars allocated by factor/distribution combination on pages 44-46. At the start of each fiscal year budget cycle evaluations are made with the department heads to determine if any functions or activities have changed significantly and whether any cost collection or allocation factor changes are warranted for the upcoming year. This process has been in place for many years. The Commission found in the last general rate case that the "allocation factors used by Spire Missouri to charge affiliates and the holding company for the goods and services it provides are being appropriately assigned."[2] Additionally, Company shares a similar opinion of Staff witness from last general rate case that " Spire Inc. [does] not appear to have a material corporate purpose separate and apart from the operations and lines of business of their regulated and non-regulated affiliates."[3] When situations arise where it is warranted to charge Spire, Inc. for costs, such as acquisition related activity, the Company has demonstrated that it does charge Spire, Inc. directly.

Q. HOW WOULD YOU PROPOSE ADDRESSING WITNESS SCHABEN'S CONCERNS?

A. A separate docket GO-2022-0327 is open regarding Spire Missouri's CAM update. The Company proposes to work out the affiliate transaction reporting in that case with Staff and OPC. The concepts of direct charging versus indirect allocation and the pitfalls and limitations of each can be discussed as well.

X. CONCLUSION

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

[2] Amended Report and Order GR-2021-0108. Pg. 73.
[3] Majors Rebuttal Testimony GR-2021-0108. Pg. 6.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Spire Missouri Inc.'s Request for Authority to Implement a General Rate Increase for Natural Gas Service Provided in the Company's Missouri Service Areas.	)))))	Case No. GR-2022-0179

AFFIDAVIT

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

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

1. My name is Eric Bouselli. I am the Manager of Regulatory Strategy & Forecasting 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 rebuttal testimony on behalf of Spire Missouri Inc. for the above referenced case.

3. Under penalty of perjury, I hereby declare that the foregoing is true and correct to the best of my knowledge and belief.

Eric Bouselli
Eric Bouselli (Oct 6, 2022 16:48 CDT)

Eric Bouselli

10/06/2022

Date

CONFIDENTIAL PURSUANT TO 20 CSR 4240-2.135(2)(A)5