

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GA-2019-0226 Spire Missouri Inc.

FROM: Byron M. Murray, Regulatory Economist III
Tariff/Rate Design Department

/s/ Robin Kliethermes 2/15/19 /s/ Ron Irving 2/15/19
Rate & Tariff Examination Manger/Date Staff Counsel's Office/Date

SUBJECT: Staff Recommendation for Approval CCN Application with Conditions

DATE: February 15, 2019

Overview

On February 5, 2019, Spire Missouri, Inc. (“Spire” or the “Company”) filed its Application (“Application”) with the Missouri Public Service Commission (Commission) for a certificate of public convenience and necessity (“CCN”), a Motion for Expedited Treatment, and Request for Waiver. Spire provided the following rationale for expedited treatment:

The potential customer at the subject property contacted Spire with a need for a line extension to serve a new irrigation operation. This potential customer only recently became aware of Spire’s presence in Barton County and other pending applications for CCNs in Barton County. As explained in the signed affidavit, attached hereto as Appendix 1, the potential customer must have equipment ordered by February 11, 2019, in order to have it installed in time for it to be used in irrigation operations. Therefore, Spire is requesting expedited approval of this CCN application.

Spire also provided the following rationale for seeking a variance from certain rule requirements:

No external financing will be required for construction related to serving this proposed customer, and a full line extension contribution will be assessed to and collected from the proposed customer. As such, Spire seeks a variance from the Rule requirements with regard to the provision of a plat¹ and a feasibility study².

On February 6, 2019, the Commission issued its Order directing Staff to expeditiously file a Recommendation or pleading stating when it will file a Recommendation regarding Spire’s Application no later than February 8, 2019. On February 7, 2019, Spire amended its Application (Amended Application) for CCN, Motion for Expedited Treatment, and Request for Waiver. The amended application provided the specific boundaries of the area it has requested for its CCN.

¹ 4 CSR 240-3.205(A)4

² 4 CSR 240-3.205(A)5

Spire also submitted a Plat Map, customer contract and draft tariff sheet reflecting the updates that would need to be made to Tariff Sheet No. 20.1 if the Commission grants the requested CCN.

Discussion

Spire's amended application states that it seeks a CCN to extend its existing certificated area in Barton County to Township 32 North, Range 31 West, Sections 15, 16, 21, and 22 in order to serve one particular property for purposes of an irrigation operation³. As stated above the customer had just become aware of Spire's presence and service in Barton County and requests gas service in order to install an irrigation operation. Spire is the only regulated natural gas utility operating in Barton County. Per Appendix 1 attached to the amended application Spire has assessed a customer contribution of ** _____ ** in order to construct the extension.

Based on the Company's response to Staff Data Request 1, Staff found that the main line and service line extension required to meet the individual customer's demand is a two-inch line. However, the Company actually plans to install a six-inch main line because the Company anticipates future growth to the west and south of the customer's property. Per Spire West's Rules and Regulations Tariff Sheet No. R-15.1, the design and extent of any extension of the Company's facilities will be determined solely by the Company, applying sound principles of economics and engineering. However, at this time the Company has not provided a list of any other potential customers and revenues that result from the construction of the proposed line or that will result from future extension of the proposed line. Also, at this time the Company has not provided any detailed engineering studies regarding this project; however, in response to Staff Data Request No. 1, the Company states that this project creates no pressure concerns on the existing infrastructure.⁴ An outline of the costs related to the two-inch line required to meet the customer's demand and the proposed six-inch line are provided below.⁵

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The annual revenue estimated to be generated by the customer listed in the amended application is \$3,272.

Because no additional service area extending the requested line beyond serving the prospective customer's irrigation need is being sought at this time and no potential customers or revenues have been provided the requested CCN does not appear to be an economically feasible extension of the Company's service area. However, consistent with past Commission practice all rate making determinations regarding the revenue requirement impact of this service area extension request should be reserved until the Company's next general rate making proceeding. Staff will examine the revenue requirement impacts of the Company's investment in the next rate case and propose adjustments as necessary at that time to remove any imprudent costs in order to establish the economic feasibility of the requested expansion.

³ Page 4 of Spire's Amended Application

⁴ The irrigation load will be summertime.

⁵ Provided in response to Staff Data Request No. 1

Tartan Criteria

In the Tartan Energy Company case, the Commission's Order listed five criteria to include in the consideration when making a determination on whether a utility's proposal meets the standard of being "necessary or convenient for the public service" (A short description of how Staff believes each criteria has been met is also included):

- Is the service needed? (The earlier discussion regarding customer need to establish an irrigation operation addresses the need of the project);
- Is the applicant qualified to provide the service? (Spire is a public utility and gas corporation, as those terms are defined in RSMo.§386.020, and is a corporation incorporated under the laws of the State of Missouri, with its principal office located at 700 Market Street, St. Louis, Missouri, 63101. A Certificate of Good Standing evidencing Spire West's standing to do business in Missouri was submitted in Case No. GM-2013-0254.);
- Does the applicant have the financial ability to provide the service? (As stated above, Spire stated in its amended application that no external financing is required.);
- Is the applicant's proposal economically feasible? (Because the CCN does not appear to be an economically feasible extension of Company's service area all rate making determinations regarding revenue requirement impact of this service area extension should be reserved until the Company's next general rate making proceeding.); and
- Does the service promote the public interest? (If all of the other criteria and conditions are met, then the criterion regarding public interest is met.)

Staff Recommendation

Based on the information provided above Staff recommends the Commission approve the Company's requested CCN with the following conditions:

- Reserve all rate making determinations regarding the revenue requirement impact of this service area extension request until the Company's next general rate making proceeding.
- Require Spire to file to update Tariff Sheet No. 20.1 incorporating the requested Sections for Barton County provided above.
- The Company shall file a certified copy of the document granting the Company the necessary consent or franchise or an updated affidavit by the Company attesting that it has received the necessary county consent for the requested service territory expansion, consistent with Commission Rule 4 CSR 240-3.205(1)(D) and 240-3.205(2).

Staff has verified that the Company has filed its annual report and is not delinquent on any assessment.

