

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GA-2021-0259 Spire Missouri, Inc.

FROM: Michelle Bocklage, Sr. Research/Data Analyst, Tariff/Rate Design Department
Kim Bolin, Utility Regulatory Manager, Auditing Department

/s/ Robin K. Kliethermes / 06-16/2021 /s/ Ron Irving / 6-16-2021
Rate & Tariff Examination Manager/Date Staff Counsel's Office/Date

SUBJECT: Staff Recommendation for Rejection of the CCN Application for Service to
Paradise Lake Estates in Buchanan County, Missouri

DATE: June 16, 2021

Overview

On February 15, 2021, Spire Missouri, Inc. (“Spire” or the “Company”), on behalf of its Spire Missouri West (“Spire West”) operating unit, filed its Application (“Application”) with the Missouri Public Service Commission (“Commission”) for permission and approval for a certificate of public convenience and necessity (“CCN”) to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide gas service specifically to Paradise Lake Estates, a subdivision located in Sections 36 and 31, Township 55 North, Ranges 34 and 35 West in Buchanan County, Missouri. Spire seeks a waiver from Commission Rule 20 CSR 4240-4.017(1) that provides the secretary of the Commission a minimum of sixty (60) days’ notice prior to filing a case.

On February 16, 2021, the Commission issued its Order directing notice, setting deadline for intervention requests and directing filing of Staff Recommendation. The Commission directed Staff to file a recommendation or a status report regarding Spire’s Application no later than April 16, 2021.

On April 15, 2021, Staff filed a status report and advised that responses to Staff’s data requests to Spire are being reviewed and discussions between Staff and Spire are ongoing. Staff requested the

Commission allow Staff to file its recommendation no later than June 16, 2021. On April 16, 2021, the Commission issued its Order Directing Filing of a Staff Recommendation by June 16, 2021.

Discussion

Spire's Application states that it seeks a CCN to extend its certificated area into Buchanan County to serve a proposed subdivision located in Sections 36 and 31, Township 55 North, Ranges 34 and 35 West in Buchanan County, Missouri.

Spire's Application states that the proposed project includes 3,404 feet of 4-inch main, 2,737 feet of 2-inch main, and 1,700 feet of 1-inch service line extension. ** [REDACTED]

[REDACTED]

Spire's Application indicates that it intends to finance the requested extension to serve the subdivision in Buchanan County with internal funds.

Spire's tariff sheets relating to Extension of Distribution Facilities¹ contains language outlining the potential costs to prospective customers requesting an extension of the distribution facilities. Spire tariff sheet P.S.C. MO. No. 8, Original Sheet No. R-15.1, section 19. D., paragraph three, states:

For a prospective customer whose annual consumption is less than 6,000 therms/CCF, the Company will install at no cost to the customer up to 175 feet of main and 75 feet of service line. In no case, however, shall the Company be obligated to invest more than \$1,000 per customer in the aggregate for both the main extension and service extension.

In addition, Spire tariff sheet P.S.C. MO. No. 8, Original, Sheet No. R-15.3, section 19. E. contains the following language relating to the absorption of extension costs by the Company.

...To the extent that any uncollected amount is absorbed by the Company, the Company shall book such amounts separately and shall not seek rate recovery.

¹ P.S.C. MO. No. 8 Original Sheet Nos. R-15 – R-15.3

The information that Spire has provided in this case indicates that no contribution has been requested or anticipated to be requested from the developers or potential customers for this subdivision, even though the Company's anticipated investment of ** [REDACTED] ** is above the \$1,000 investment per customer² outlined in the tariff provision above.

Spire's Application states that the 34 home development will be single-family residential lots. The rates for the proposed area would be those approved and in effect for the Residential rate schedule in Spire Missouri West's operating unit certificated areas. For reference the rates are provided as follows:

Customer Charge – per month \$20.00

Winter Billing Months of November-April
Charge for Gas Used – per CCF \$0.15637

Summer Billing Months of May-October
Charge for Gas Used- per CCF
For the first 50 CCFs used per month \$0.14073
For all CCFs used in excess of 50 CCFs \$0.17362

Appendix 3 of the Company's Application shows that annual estimated non-gas revenues exceed the annual estimated expenses in year 2 of the expansion. However, Appendix 3 does not include the Company's Return on Investment (ROI). Therefore, Staff is concerned whether or not this is an economically feasible extension of Spire's service area. The additional costs associated with the ROI would increase costs by approximately ** [REDACTED] ** annually. Based on the Company's calculations included in Appendix 3, the project is not economically feasible in years 1 through 3. However, the project only falls short of being economically feasible in year 3 by approximately \$1,771 using the Company's estimated costs and revenues. With the inclusion of ROI, the project does not appear to be economically feasible without the allowed customer contributions. The Company should ensure that any future CCN Applications include the Company's ROI in its feasibility study.

² The Company's Application states that the Company plans for 34 homes to be built (34*\$1,000 = \$34,000)

Tartan Criteria

In the Tartan Energy Company case³, 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 each criteria has been or has not been met in this Application is included below):

- **Is the service needed?** No. The developer is requesting to have natural gas service to the homes in the proposed subdivision, and it is unclear to Staff if the homes will be required to use natural gas or if the potential homeowners will be able to use alternative energy sources;
- **Is the applicant qualified to provide the service?** Yes. Spire is a natural gas company that provides service to approximately 1 million residential customers throughout Missouri. Spire and its various proceeding entities have been providing service for over 100 years and has shown the ability to provide natural gas service.
- **Does the applicant have the financial ability to provide the service?** Yes. As stated, Spire provides service to hundreds of thousands of customers and has shown the financial capability of providing service and making appropriate investments, repairs, and maintenance as required.;
- **Is the applicant's proposal economically feasible?** The CCN for service to Paradise Lake Estates does not appear to be an economically feasible extension of the Company's service area absent a customer contribution.
- **Does the service promote the public interest?** As stated above, the CCN does not appear to be an economically feasible extension of the Company's service territory; therefore, it is not in the public interest.

Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other case before the Commission that impacts or is impacted by this filing.

³ *In the Matter of the Application of Tartan Energy Company, LLC, d/b/a Southern Missouri Gas Company,*

Mo P.S.C. 3d 173, 177 (1994). *See also* Section 393.170, RSMo (2000).

Staff Recommendation

Based on the information provided above, Staff recommends the Commission reject the Company's CCN to include Sections 36 and 31, Township 55 North, Ranges 34 and 35 West in Buchanan County, Missouri since the Company has not met the Tartan Criteria.

If the Commission approves the Company's requested CCN, Staff recommends the Commission order the following conditions:

- Hold customers receiving service outside of the requested CCN area harmless of any expenses and investments in excess of billed non-gas revenues.
- Require Spire to specifically identify in its plant records all investment related to the Company's expansion in the requested area.
- Require Spire to file to an updated tariff sheet to incorporate Sections 36 and 31, Township 55 North, Ranges 34 and 35 West.

