

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

In the Matter of Spire Missouri, Inc.'s Verified)	
Application for Approval of the Amendment of)	
Its PGA Rider to Adjust Filing Adjustment)	<u>File No. GT-2022-0083</u>
Factor (FAF) for its Spire Missouri East)	Tracking No. JG-2022-0060
Operating Unit)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and for its *Staff Recommendation* respectfully states as follows:

1. On September 24, 2021, Spire Missouri, Inc. (“Spire Missouri”) filed its *Spire Missouri’s Verified Application for Approval to Amend its Purchased Gas Adjustment Rider for Spire Missouri East, Motion for Waiver of 60-Day Notice Requirement, and Motion for Expedited Treatment* (“Application”). To support its Application, Spire Missouri submitted tariff sheet no. 11.12, Tariff No. JG-2022-0060, on September 24, 2021, with an effective date of October 24, 2021, that reflects Spire Missouri’s request stated in its Application for approval to change its Purchased Gas Adjustment Filing Adjustment Factor to minus \$.30 per therm, which gives it the flexibility to spread the recovery of gas costs up to three years.

2. On September 27, 2021, the Commission issued an Order directing Staff to file a recommendation regarding Spire Missouri’s tariff (Tariff No. JG-2022-0060) no later than October 8, 2021.

3. Staff has reviewed Spire Missouri’s Application, submitted data requests to Spire Missouri regarding its Application, and reviewed Spire Missouri’s tariff filing, Tariff No. JG-2022-0060, and submits its Staff Recommendation and accompanying and incorporated Memorandum.

4. Staff generally recommends that tariff changes be made in the context of a general rate case, where all relevant factors are examined by the Commission. However, Staff recognizes that the February 2021 Cold Weather Event resulted in an unprecedented spike in daily natural gas costs.¹ Staff is not opposed to the Commission approving, or allowing to go into effect by operation of law, Spire Missouri's requested tariff, Tariff No. JG-2022-0060.

5. Regarding Spire Missouri's request that the Commission waive the 60-day filing notice required by 20 CSR 4240-4.017(1), Staff has reviewed Spire Missouri's verified affidavit on the last page of its Application, and is not opposed to the Commission granting Spire Missouri's request.

WHEREFORE Staff submits its *Staff Recommendation*, consistent with the Order issued on September 27, 2021, for the Commission's information and consideration.

Respectfully submitted,

/s/ Jamie S. Myers

Jamie S. Myers
Deputy Staff Counsel
Missouri Bar Number 68291
P.O. Box 360
Jefferson City, MO 65102
573-526-6036 (Voice)
573-526-6969 (Fax)
jamie.myers@psc.mo.gov

Attorney for Staff of the
Missouri Public Service Commission

¹ See **Staff Report** in Case Nos. AO-2021-0264 and GO-2021-0364.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record on this 8th day of October, 2021.

/s/ Jamie S. Myers

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GT-2022-0083, Tariff No. JG-2022-0060
Spire Missouri Inc.

FROM: Anne M. Crowe
Senior Utility Regulatory Auditor, Procurement Analysis

/s/ David M. Sommerer 10/08/2021
Financial and Business Analysis Division/Date

/s/ Jamie S. Myers 10/08/2021
Staff Counsel's Office/Date

SUBJECT: Staff Recommendation in Spire Missouri Inc.'s Application to Amend its Purchased Gas Adjustment ("PGA") Clause for Spire Missouri East

DATE: October 8, 2021

On September 24, 2021, Spire Missouri Inc. ("Spire Missouri"), filed its *Spire Missouri Inc.'s Application for Approval to Amend its Purchased Gas Adjustment Rider for Spire Missouri East, Motion for Waiver of 60-Day Notice Requirement, and Motion for Expedited Treatment* ("Application") for approval to amend its Spire Missouri East ("Spire East" or "Company") Purchased Gas Adjustment tariff to change its PGA Filing Adjustment Factor ("FAF") to minus \$.30 per therm which gives it the flexibility to spread the recovery of gas costs up to 3 years. To support its Application Spire East submitted tariff sheet no. 11.12 in Tariff No. JG-2022-0060 on September 24, 2021 with an effective date of October 24, 2021.

On September 27, 2021, the Commission issued an Order requiring Staff to file a recommendation regarding Spire East's tariff by October 8, 2021.

In February 2021 the United States experienced a major winter storm with the cold weather reaching southern states resulting in wellhead freeze-offs and extraordinary gas costs for utility companies. As explained in Staff's report in Case No. AO-2021-0264¹, during the February 2021 Cold Weather Event² daily natural gas prices spiked to unprecedented levels for interstate pipelines serving Missouri. Spire East's gas costs in February 2021 were about 40% of its entire 2020 annual purchased gas costs.³

Spire East is required to update its ACA factor in its upcoming November 2021 PGA/ACA filing. The ACA factor will be updated to reflect the reconciliation of actual gas costs with revenue recoveries for the period of October 1, 2020 through September, 2021, which includes the extraordinary gas cost resulting from the February 2021 Cold Weather Event. Rather than

¹ Case No. AO-2021-0264, Staff Report pages 59-61.

² Also known as Winter Storm Uri.

³ Case No. AO-2021-0264, Spire Missouri AO-2021-0264 Cold Weather Event Workshop presentation, slide 24.

recovering its gas costs over twelve months as its current tariff requires, Spire East is requesting the Commission approve a change to the FAF provision in its PGA tariff which will allow Spire East the flexibility to spread its recovery of the increased gas costs resulting from the Cold Weather Event over a period of up to 3 years.

Currently Spire East's tariff contains a FAF provision which is designed to refund to, or recover from customers any over- or under-recovery of gas costs that have accumulated since the Company's last ACA filing and is plus or minus up to \$.05 per therm.⁴ Spire East's proposed tariff change would allow a FAF up to minus \$.30 per therm to account for and to offset in part the increase in gas costs resulting from Winter Storm Uri for the years 2021, 2022, and 2023. Which means for example that if an LDC's total PGA factor would have been \$.80 per therm, including a minus \$.30 per therm FAF reduces the total PGA factor to \$.50 therm, effectively spreading the recovery of gas costs.

Interest is accrued on the average ACA account balance at the prime bank lending rate minus 2%⁵. By spreading the gas cost recovery over three years, customers will pay more in carrying costs than they would have to pay under the normal operation of the ACA mechanism. However spreading these gas costs over a longer period than its current tariff requires helps to mitigate the impact to customer bills on an overall basis.

Staff's ACA review of the prudence of the Company's actions leading up to and during the February 2021 Cold Weather Event will occur during 2022 with a Staff recommendation expected in December 2022.

Staff has verified that Spire East has filed its annual report, and is not delinquent on its PSC assessment.

Staff has reviewed this filing and generally recommends tariff changes be made in a general rate case. However in this instance because of the extraordinary gas cost impact to customer bills and the mandatory November 2021 ACA factor update, Staff is not opposed to the Commission approving, or allowing to go into effect by operation of law, the following tariff sheet filed in Tariff No. JG-2022-0060 on September 24, 2021:

P.S.C. MO. No. 7

First Revised Sheet No. 11.12 Cancelling Original Sheet No. 11.12

⁴ Sheet No. 11.12 paragraph E.1.

⁵ Tariff Sheet No. 11 paragraph 5. "Each month, carrying costs, at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first business day of such month), minus two percentage points, shall be applied to the Company's average beginning and ending monthly ACA accounts, including the balance of any undistributed refunds received from the Company in connection with natural gas supply, transportation and storage services."

