

FILED²

DEC 13 2018

Public Counsel Opening Missouri Public Service Commission

Spire's Application for AAO
GU-2018-0011

December 11, 2018

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How Spire's Assessment is Determined

- 1. Commission estimates upcoming fiscal year expenses. (§ 386.370.1 RSMo).
- 2. Commission separately allocates expenses attributable to each group of utilities (electric, gas, water, etc.). Includes use of time sheet summaries (time spent on utility groups) to allocate. (§ 386.370.1 and .2 RSMo).
- 3. By July 1 the Commission assesses each utility in proportion to their respective gross intrastate operating revenues during the preceding calendar year for their group (i.e. gas). (§ 386.370.2 RSMo).

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OPC Exhibit No. 201
Date 12-11-18 Reporter TH
File No. GU-2019-0011

Reasons for Increase in Gas Company Estimates:

Spire's Rate Case Consumed PSC/OPC FY 2018 Resources

- First joint rate case filing for Spire East and Spire West.
- Cases open and active all 12 months of FY 2018.
- Spire brought many new/unique issues to the case.

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Reasons for Increase in Gas Company Estimates:

Unnecessary Extra Work for Commission and OPC

- "The company also admitted that it purposefully takes the more "aggressive" positions and builds "a little bit of cushion" into its requests."
- "...the company witness admitted that the company "padded" its revenue requirement beyond what it expected to receive by pursuing strong positions on issues it did not expect to win, which is clearly to the benefit of shareholders over the ratepayers."
- *Source:* Amended Report & Order, pp. 49-54, GR-2017-0215/0216

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Calculating the Gas Group Assessment Estimate:

Spire Adding to the Commission/OPC Workload

- “Spire Missouri has pursued more new, unique shareholder-focused ratemaking tools in this case to insulate shareholders from risk, such as three new tracking mechanisms...and a revenue stabilization mechanism.”
- “Spire Missouri has pursued utility expenses that are highly discretionary, do not benefit customers, and are typically allocated entirely to shareholders...”

Source: Amended Report & Order, pp. 49-50, GR-2017-0215/0216.

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Calculating the Gas Group Assessment Estimate:

When Rates are to Increase, the Spire Cases Settle Early

- **Laclede (GR-2014-0007)** – settled all issues in 7 months; \$7.8 million revenue increase; 147 documents in EFIS.
- **MGE (GR-2013-0171)** – settled all issues in 5 months; \$0 revenue increase; 93 documents in EFIS.
- **Laclede (GR-2010-0171)** – settled all issues in 8 months; \$31.4 million revenue increase (includes \$10.9 million ISRS); 189 documents in EFIS.
- **MGE (GR-2009-0355)** – settled all issues in 7 months except cost of capital, rate design, and energy efficiency; 398 documents in EFIS.
- **Laclede (GR-2007-0208)** – settled all issues in 7 months; \$38.6 million increase (includes \$5.5 million ISRS); 110 documents in EFIS.

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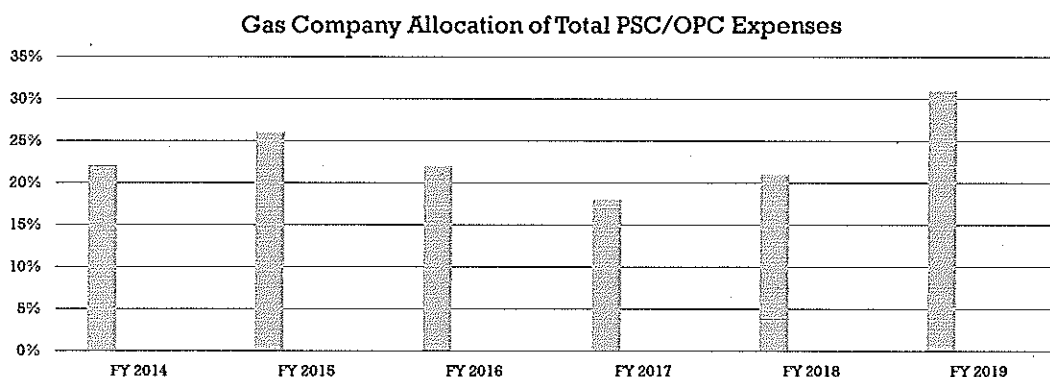
Calculating the Gas Group Assessment Estimate:
Facing a Potential Rate Decrease, No Early Settlement

• **Spire (GR-2017-0215/0216)**

- 44 issues presented to the Commission for decision.
- 629 documents in EFIS.
- 11 months until Report & Order.
- Report & Order 150 pages.
- Case on Appeal – continues to consume resources.

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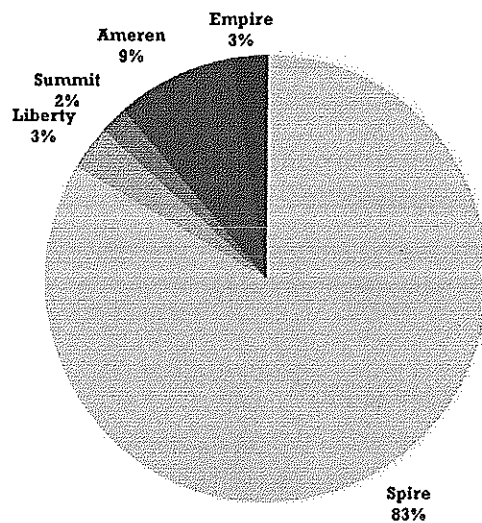
**Gas Company Allocation Increased
as a Result of Spire's Rate Case**



Source: Commission Assessment Orders in Case Nos. AO-2013-0525; AO-2014-0359; AO-2015-0344; AO-2016-0349; AO-2017-0344.

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Gas Utilities Gross Intrastate Revenue Share Used to Calculate the FY 2019 Assessment

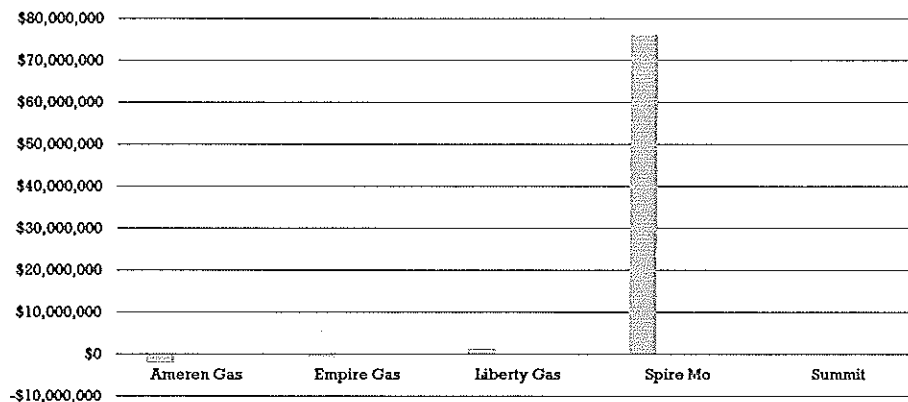


Source: Annual Reports (Public Versions) filed with the Commission for 2017.

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Gross Intrastate Gas Revenues Spire's Increasing Share of the Gas Company Group

Gas Company Calendar Year 2016 to 2017
Intrastate Revenue Difference



Source: Annual Reports (Public Versions) filed with Commission for 2016 and 2017.

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Spire's Assessment is Not Extraordinary

- *"It is the intent that net income shall reflect all items of profit and loss during the period..."* Exception for "extraordinary items" must meet ALL criteria:

- "Unusual" and "abnormal"?

No. Assessments are an annual expense that expectedly fluctuates due to the utility's activity and revenues.

- "An infrequent occurrence"?

No. Assessments are annual (not infrequent), and increases in gas assessment follows gas rate cases (not infrequent).

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Spire's Assessment is Not Extraordinary

- "Significant effect"?

No. Spire received \$1.1 billion in annual revenues for 2017; the assessment increase is \$1.6 million. Not significant.

- "Significantly different from the ordinary and typical activities" of Spire?

No. The PSC assessment is paid annually by every public utility, and is an ordinary expense necessary to operate as a regulated monopoly.

- "Not reasonably be expected to recur in the foreseeable future"?

No. Spire's assessment and amount will recur as Spire files joint rate cases (East and West) and continues to increase revenues.

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Spire's Application Should be Denied



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