

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. GA-2020-0236, Spire Missouri, Inc.

**FROM:** Byron M. Murray, Regulatory Economist, Tariff/Rate Design Department,  
Industry Analysis Division

/s/ Robin Kliethermes      5/13/2020  
Tariff/Rate Design Department/Date

/s/ Ron Irving      5/13/2020  
Staff Counsel Department /Date

**SUBJECT:** Staff Recommendation for Approval of the CCN Application with Conditions

**DATE:** May 13, 2020

### OVERVIEW

On February 3, 2020, 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 and 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 in Lawrence County, Missouri, as a further expansion of its existing certificated area. 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 prior to filing a case.

On February 10, 2020, the Commission issued its Order and Notice directing notice, setting deadline for intervention request and directing filing of Staff Recommendation. On February 26, 2020 the Commission directed Staff to file a Recommendation regarding Spire’s Application no later than March 23, 2020. On March 23, 2020, Staff filed its Status Report requesting additional time to file its recommendation. The same day, the Commission directed Staff to file a recommendation no later than April 20, 2020. On April 20, 2020, Staff’s Legal Counsel filed a Status Report stating that due to the COVID-19 pandemic, Spire was having difficulty obtaining the county assent ordinance from Lawrence County. Staff requested an extension to file its recommendation. Staff intended to file its recommendation no

\*\* Denotes Confidential Information \*\*

**APPENDIX A**

later than May 22, 2020. On April 20, 2020, the Commission filed an Order directing the extension of the deadline to May 22, 2020. The Company filed the required Lawrence County Assent Ordinance on April 24, 2020 in EFIS.

## **DISCUSSION**

Spire's application states that it seeks a CCN to extend its existing certificated area in Lawrence County to provide gas service to two separate projects. The requested areas for Project One are Section 29, Township 26 North, Range 28 West, Section 32, Township 26 North, Range 28 West, and for Project Two areas are Section 14, Township 26 North, Range 27 West, Section 13, Township 26 North, Range 27 West, Section 18, Township 26 North, Range 26 West, Section 23, Township 26 North, Range 27 West, Section 24, Township 26 North, Range 27 West, Section 19, Township 26 North, Range 26 West, and Section 20, Township 26 North, Range 26 West. The listed sections are needed to serve potential customers that contacted Spire with a need for a distribution system extension to service poultry operations near Pierce City and Verona, Missouri. However, Spire West's currently effective tariffs show that the Company already has a service area certificate for Section 29 of Township 26 west and Range 28 west.

Spire has identified one other potential customer for Project 1 in addition to the poultry customer and ten other potential customers for Project 2 in addition to the two poultry customers shown on the map provided by the Company. Additionally, Spire anticipates future customer growth to the west and south of Project 1 and future customer growth to the west and south of Project 2. To accommodate future growth, Spire recommends that the installed infrastructure should be in excess of what is required for the current new customers. According to Spire, "the chosen pipe size is entirely related to growth considerations."<sup>1</sup>

Spire's feasibility study only included expected revenues from the poultry customers and the level of expenses and investment necessary to provide service based on the minimum size required by the poultry customers. Based on Spire's response to Staff's Data Request No. 1, Staff found that the main line and service line extension required to meet the individual

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<sup>1</sup> Staff Data Request 001 Response, GA-2020-0236.

customer's demand is a two-inch line. However, Spire recommends installing a six-inch line due to the potential growth opportunities from the project. \*\* \_\_\_\_\_

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\_\_\_\_\_ \*\* The rates for the proposed area would be those approved and in effect for the Spire West operating unit.

Based on the project estimates and assumptions used by Spire, the requested CCN does not appear to be an economically feasible extension of Spire's service area unless the growth opportunities identified by Spire become reality. 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 Spire's next general rate making proceeding. Staff will examine the revenue requirement impacts of Spire's investment in the next rate case and propose adjustments as necessary at that time to remove any impudent costs in order to establish the economic feasibility of the requested extension.

Spire's application indicates that it intends to finance the Lawrence County Project with internal funds. In response to Data Request No. 0001, Spire stated that the Lawrence County Project's economic analysis showed the revenues associated with the Pierce City and Verona projects exceed the costs to service the customers, thus, no contribution will be required of the customers.<sup>2</sup>

The projects will be funded with internal operating funds. \*\* \_\_\_\_\_

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<sup>2</sup> Spire's economic analysis calculation is based on if the Company installed the minimum size pipe required by the customer and does not incorporate the full cost of the project since Spire is installing a six-inch line instead of a two-inch.

<sup>3</sup> Case No. GF-2018-0249.

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### **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 each criteria has been met is also included:

- **Is the service needed?** The earlier discussion regarding customer need for its poultry 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’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 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 without anticipated customer growth, 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

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<sup>4</sup> Staff Data Request 0001, Case No. GA-2019-0226.  
<sup>5</sup> Staff Data Request 0002, Case No. GA-2019-0214.  
<sup>6</sup> Staff Data Request 0002, Case No. GA-2019-0210.

- **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 an updated tariff sheet incorporating the requested Sections for Lawrence County provided above.

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

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

In the Matter of the Application of Spire )  
 Missouri, Inc. d/b/a Spire, for Permission and )  
 Approval and a Certificate of Convenience and )  
 Necessity to Construct, Install, Own, Operate, )  
 Maintain, and Otherwise Control and Manage )  
 a Natural Gas Distribution System to Provide )  
 Gas Service in Lawrence County as an )  
 Expansion of its Existing Certificated Areas )

Case No. GA-2020-0236

**AFFIDAVIT OF BYRON M. MURRAY**

STATE OF MISSOURI    )  
                                   )  
 COUNTY OF COLE      )            ss.

**COMES NOW** BYRON M. MURRAY and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *STAFF MEMORANDUM*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Byron M. Murray  
 Byron M. Murray