

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

In the Matter of the Application of Spire)	
Missouri Inc. d/b/a Spire to Change its)	<u>Case No. GO-2022-0171</u>
Infrastructure System Replacement)	Tariff No. YG-2022-0192
Surcharge in its Spire Missouri East and)	
West Service Territories)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and in response to the Commission’s December 23, 2021, *Order Directing Notice, Setting Intervention Deadline, Directing Filings, and Setting Time for Responses* (“Order”) submits its *Staff Recommendation* to the Commission as set forth in detail in the attached appendices, and in support thereof states as follows:

1. On December 23, 2021, Spire Missouri filed its *Verified Application and Petition of Spire Missouri Inc. to Change its Infrastructure System Replacement Surcharge for Its Spire Missouri East and West Service Territories and Request for Waiver from 60 Day Notice Rule* (“Application”). In its Application, Spire Missouri Inc. (“Spire Missouri”) requested a waiver from the 60 day notice requirement of 20 CSR 4240-4.017. Attached to Spire Missouri’s Application is a specimen P.S.C. MO. No. 9 First Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 9 Original SHEET No. 12, bearing an effective date of January 24, 2022.

2. The ISRS surcharges reflected on Spire Missouri’s proposed Sheet 12 equate to incremental annual ISRS revenues for Spire East of \$4,239,370, and Spire West of \$7,077,898, and total annual cumulative revenues of \$11,317,268.

3. On December 23, 2021, the Commission issued its order and directed Staff to file its recommendation regarding the Application by March 23, 2022, and on

January 20, 2022, the Commission issued its *Order Suspending Tariff Sheets* that suspended until June 21, 2022, the tariff sheet filed by Spire Missouri on December 23, 2021 (marked at Tariff Tracking No. YG-2022-0192). Staff's recommendation is attached hereto as Appendix A, with supporting worksheets labelled as Appendices B-1, B-2, C-1, and C-2, each of which are incorporated herein by reference.

4. As discussed in Staff's Memorandum, attached hereto as Appendix A, Auditing Staff and Engineering Analysis examined the Application and supporting direct testimony, work papers, work order authorizations, accounting entries for work orders, and a sample of invoices supporting the work order authorizations. Staff also communicated with Spire Missouri personnel through email and telephone for clarification of the Application.

5. Based on Staff's review, and as shown in Appendices C-1 and C-2, Staff recommends an ISRS revenue requirement for Spire East of \$3,140,682 and Spire West of \$5,523,495. Staff's proposed ISRS rates are contained in Appendices B-1 and B-2, attached hereto and incorporated by reference herein.

6. Staff does not object to Spire Missouri's request for a waiver from the 60 day notice provisions of 20 CSR 4240-4.017(1).

7. Staff also notes that Spire Missouri filed its FY 2021 Annual Report and is not delinquent on its FY 2021 assessments.

WHEREFORE, for the reasons stated above and in Staff's attached Memorandum, incorporated herein as Appendix A, Staff recommends the Commission issue an order in this case that:

1. Rejects Spire East's and Spire West's proposed increase in ISRS rates, as filed on December 23, 2021 and assigned Tracking No. YG-2022-0192.

The page being rejected is as follows:

P.S.C. MO. No. 9

First Revised Sheet No. 12 / Replacing Original Sheet No. 12

2. Approves Staff's proposed substitute ISRS rates as shown in Appendices B-1 and B-2. These rates are based on \$3,140,682 for Spire East and \$5,523,495 for Spire West being the appropriate cumulative revenue requirement for this proceeding plus Staff's use of the most current customer count in calculating appropriate ISRS rates. Staff's proposed ISRS rates will generate this level of revenue based upon customer levels from the Company's most recent general rate case.

Respectfully submitted,

/s/ Jamie S. Myers

Jamie S. Myers

Deputy Counsel

Missouri Bar No. 68291

Attorney for the Staff of the

Missouri Public Service Commission

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 23rd day of March, 2022.

/s/ Jamie S. Myers

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2022-0171, Tariff Tracking No. YG-2022-0192
Spire Missouri Inc., d/b/a Spire (Combined)

FROM: David M. Sommerer, Regulatory Compliance Manager, Procurement Analysis
Antonija Nieto, Senior Utility Regulatory Auditor, Auditing
Keith Majors, Utility Regulatory Audit Supervisor, Auditing
Matthew R. Young, Utility Regulatory Audit Supervisor, Auditing
Charles T. Poston, Senior Professional Engineer, Engineering Analysis

/s/ Kimberly K. Bolin 03-23-22 /s/ Jamie S. Myers 03-23-22
Financial & Business Analysis/Date Staff Counsel's Office/Date

SUBJECT: Staff Report and Recommendation Regarding Spire's ISRS Tariff
Submission in order to re-establish ISRS rates.

DATE: March 23, 2022

EXECUTIVE SUMMARY

On December 23, 2021, Spire Missouri Inc., d/b/a Spire ("Spire Missouri" or "Company" or "Spire Combined"¹) filed its *Verified Application and Petition of Spire Missouri, Inc. to change its Infrastructure System Replacement Surcharge for its Spire East and West Service Territories and Request for Waiver from 60 Day Notice* ("Application") along with associated work papers.

In its Application, Spire Missouri requests Commission approval in order to re-establish the infrastructure system replacement surcharge ("ISRS") for its Spire Missouri East Service Territory ("Spire East"), and, for the first time under the same case number, in the same application, for its Spire Missouri West Service Territory ("Spire West"). This was done in order to recover costs incurred for ISRS-eligible replacements made between June 1, 2021 and November 30, 2021 (with pro forma costs for the month of December 2021).

¹ This is the first ISRS filing since Spire East & Spire West has merged their two tariffs into one. Prior to this, Spire had its own distinct East tariff & distinct West tariff. Spire now has only one tariff, but that sole tariff has unique East & West rates. The "old" East & West designation now can be viewed as districts.

In its Application, Spire gives assurances of compliance with Statute and Rules:

COMES NOW Spire Missouri Inc., (“Spire Missouri” or “Company”) by and through counsel and pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and 20 CSR 4240-2.060, 2.080 and 3.265 of the Rules of Practice and Procedure of the Missouri Public Service Commission (“Commission”) and, for its Verified Application and Petition to Change its Infrastructure System Replacement Surcharge (“ISRS”) for its Spire Missouri East (“Spire East”) and Spire Missouri West (“Spire West”) Service Territories and Request for Waiver from the 60 Day Notice Rule ...

Spire also filed the Direct Testimony’s of the following Company witnesses:

- Scott A. Weitizel
- Kent Thaemert
- Edward Joseph Puszczek III
- Trisha E. Lavin

The initial submission also consisted of a cover letter and a tariff page.

On January 20, 2022, the Commission suspended Spire’s tariff, until June 21, 2022. Both the application and the work papers assert Spire’s application will, cumulatively, generate \$11,317,268 annually via the surcharges being established. The district breakdown is as follows:

The revenue calculations in Appendices A and B produce incremental annual ISRS revenues for Spire East of \$4,239,370, and Spire West of \$7,077,898, respectively.²

Staff is recommending a significant reduction to the initially sought ISRS, as discussed in the Taxes and Depreciation and Capitalized Overheads Sections:

District	Spire's Proposed ISRS	Staff's Recommended ISRS	Reduction
EAST	\$4,239,370	\$3,140,682	\$1,098,688
WEST	\$7,077,898	\$5,523,495	\$1,554,403

² Application, Page 4.

Staff reviewed the ISRS rates that Spire filed in the initial application. In its place, Staff proposes different ISRS rates based on Staff's analysis and revisions.

INTRODUCTION

This ISRS filing is Spire's first ISRS application filed under "new legislation" (House Bill No. 2120 – effective August 28, 2020). This new legislation amended Sections 393.1009, 393.1012, 393.1015, RSMo and has a documented procedure for the establishment and continuation of contractors being able to bid on ISRS projects that a utility decides to "outsource" to third party entities – ("bidders"), as opposed to the utility's internal staff undertaking the project³. There are three filing requirements to be in compliance, which are set forth in the following:

REQUIREMENT #1

The filing (with the Commission) of a pre-qualification of parties seeking to be future bidders:

"4. In order for a gas corporation to file a petition with the commission to establish or change an ISRS, such corporation shall, by July 1, 2021, develop and file with the commission a pre-qualification process for contractors seeking to participate in competitive bidding to install ISRS-eligible gas utility plant projects." pursuant to 393.1012.4, RSMo.

On May 11, 2021, the Commission noted that Spire in Case No. GO-2021-0382 filed its notice of pre-qualification process for contractors seeking to participate in competitive bidding to install ISRS-eligible gas utility plan projects on April 29, 2021, as required by Section 393.1012.4 RSMo. The Commission noted that it did not need to take any action on that plan and closed the file.

REQUIREMENT #2

The filing of a verified statement:

The gas corporation shall file, by January 1, 2022, a verified statement with the commission confirming that it has in place a pre-qualification process for the competitive bidding of ISRS-eligible gas utility plant projects, and that such process conforms to the requirements of this section. The commission shall have the authority to verify the statement to ensure compliance with this section.⁴

³ Internal ISRS projects are not factored into "external" ISRS projects subject to the bidding process.

⁴ Section 393.1012 (4) RSMo.

On October 8, 2021, Spire filed this document in Case No. GO-2021-0382.

REQUIREMENT #3

The filing of a confirmation statement:

After January 1, 2022, the gas corporation shall submit with each petition filing to establish or change an ISRS a verified statement confirming that it is using a competitive bidding process for no less than twenty five percent of the combined external installation expenditures made by the gas corporation's operating units in Missouri for installing ISRS-eligible gas utility plant projects, and that such process conforms with the requirements set forth in this section. The commission shall have the authority to verify the statement to ensure compliance with this section.⁵

Spire filed this ISRS application on December 23, 2021. Although the new legislation was in effect upon on Spire's filing date, this particular clause did not apply until a utility files an ISRS petition on or after January 1, 2022. By filing prior to January 1, 2022, Spire avoided the aforementioned "verified statement" requirement for #3, but Spire will need to provide such a statement with all future ISRS filings.

The Customer Count

Section 393.1015 RSMo. allows for the following exception for the customer "count" used to determine ISRS rates.

5. (1) The monthly ISRS charge may be calculated based on a reasonable estimate of billing units in the period in which the charge will be in effect, **which shall be** conclusively established by dividing the appropriate pretax revenues by **the customer numbers reported by the gas corporation in the annual report it most recently filed with the commission** pursuant to subdivision (6) of section 393.140, and then further dividing this quotient by twelve. **Provided, however, that the monthly ISRS may vary according to customer class and may be calculated based on customer numbers as determined during the most recent general rate proceeding of the gas corporation so long as the monthly ISRS for each customer class maintains a proportional relationship equivalent to the proportional relationship of the monthly customer charge for each customer class.** [Emphasis added.]

⁵ Section 393.1012 (4) RSMo.

Spire used the customer count from its most recent general rate proceeding, Case No. GR-2021-0108.

As of the issuance of this memorandum, Spire Missouri is not delinquent on its FY 2021 assessments and Spire Missouri has filed its 2021 annual report with the Commission.

Staff has no objection to Spire Missouri Inc.'s Request for Waiver of the 60 day Notice Provisions of Commission Rule 20 CSR 4240-4.017(1).

AUDITING REVIEW AND REVENUE CALCULATIONS

Staff recommends an ISRS revenue requirement for Spire East of \$3,140,682 and Spire West of \$5,523,495.

Section 393.1015.3, RSMo, states:

“A gas corporation may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every twelve months.” Because this filing is the first ISRS filing since the last general Spire rate case, Staff asserts Spire Missouri’s filing complies with Section 393.1015.3, RSMo.

Section 393.1012.1, RSMo, states:

The commission may not approve an ISRS to the extent it would produce total annualized ISRS revenues below the lesser of one million dollars or one-half of one percent of the gas corporation's base revenue level approved by the commission in the gas corporation's most recent general rate proceeding. The commission may not approve an ISRS to the extent it would produce total annualized ISRS revenues exceeding ten percent of the gas corporation's base revenue level approved by the commission in the gas corporation's most recent general rate proceeding.

Spire Missouri’s requested ISRS revenues for Spire Missouri exceed one-half of one percent of the natural gas utility’s base revenue level the Commission approved in the most recent Spire Missouri rate case, Case No. GR-2021-0108. Spire Missouri’s ISRS revenues, including the amounts requested in this filing, do not exceed ten percent of the base revenue levels approved by the Commission in the last Spire Missouri rate case.

In this Application, Spire Missouri filed to recover current qualifying ISRS costs incurred during the period of June 1, 2021 through December 31, 2021. The ISRS recovery requested

for December 2021 plant in service additions was included on an estimated basis at the time Spire Missouri filed its Application. Spire Missouri provided Staff with updated workpapers supporting actual ISRS plant addition costs for December on January 26, 2022. The actual ISRS costs through December 2021 are incorporated in Staff's recommended ISRS revenue requirement.

As part of its examination of Spire Missouri's Application, Auditing Staff reviewed supporting workpapers, work order authorizations, accounting entries for work orders, and a sample of invoices supporting the work order authorizations. Staff communicated throughout its review with Spire Missouri's personnel through email and telephone for clarification of the Application.

Blanket Work Orders

Staff reviewed Spire Missouri's workpapers concerning "blanket work orders." Blanket work orders are work orders that cover a large number of tasks and do not close for an extended period of time. Blanket work orders include items that are not part of planned replacement projects.⁶ Per Spire witness Puszczek: "Spire's blanket work orders are used for recurring, small jobs of a similar nature and short duration;"⁷ adding that; "ISRS eligible blanket work order items consist largely of unplanned work that is not tied to a specific ISRS project, but is IRSR eligible."⁸

Issues arose in Spire Missouri's previous ISRS filings regarding the eligibility for recovery of costs in blanket work orders. In previous ISRS filings, Staff recommended the Company improve its blanket work order procedures in order to provide more supporting documentation and limit the amount of projects and/or dollars included in blanket work orders. Spire Missouri engaged in a process improvement exercise to "improve the workflow, efficiency, and overall accuracy of its blanket work orders."⁹ According to Spire Missouri's witness Puszczek; "The key areas of improvement were: (1) developing a standard definition of what was ISRS recoverable under Missouri ISRS statute; (2) simplified upfront blanket work order

6 Spire Missouri ISRS Application and Appendices, Case No. GO-2022-0171, Page 4.

7 Direct Testimony of Edward Joseph Puszczek III, Case No. GO-2022-0171, Page 2, line 18-19.

8 Ibid, Page 3, line 1-2.

9 Spire Missouri ISRS Application and Appendices, Case No. GO-2022-0171, Page 4.

identification process (ISRS vs Non-ISRS) through job plan consolidation; and most importantly, (3) enhancing our ISRS qualifying reporting process to utilize our asset management system and other variables to easily indicate if the work done is ISRS eligible.”¹⁰ Additionally, Spire witness Pusczek states that the most important improvement Spire made to the process of ensuring the ISRS eligibility of its blanket work orders was the new report that was developed for blanket work orders: “...under the new reporting, blanket work orders that are ineligible and should be removed from the ISRS filing will now be removed prior to being included in the initial report.”¹¹

Staff noted that in the current ISRS filing, Spire Missouri still categorized tasks in the blanket work orders as either ISRS-eligible or ISRS-ineligible. Spire Missouri then calculated the percentage of eligible versus ineligible tasks and applied the ineligible task percentage to the total blanket work order costs to calculate the dollar amount that is not ISRS-eligible. With the percentage of ineligibility being derived as a number of ineligible line items over the total eligible and ineligible number of line items which is then applied to the total available dollar amount, Staff is unable to confirm if the dollar amount of ineligible (or eligible) costs are truly representative. Staff analyzed the blanket work orders to determine how much of Spire Missouri’s request consists of blanket work orders. The results are in the table below.

For Spire West, Staff used the current case and the past four ISRS cases for the analysis.

<u>SPIRE WEST</u>			
Case Number	Total Blanket Work Order Request	Total Gross ISRS Plant Request (Before Adjustment for Plastic until GO-2022-0171)	Blanket Work Orders as Percentage of Total ISRS Request
GO-2022-0171	\$1,821,769	\$68,524,974	3%
GO-2020-0230	\$6,943,021	\$60,549,897	11%
GO-2019-0357	\$4,512,384	\$43,831,739	10%
GO-2019-0116	\$6,884,585	\$53,822,163	13%
GO-2019-0130	\$6,452,598	\$81,405,195	8%

¹⁰ Direct Testimony of Edward Joseph Pusczek III, Case No. GO-2022-0171, Page 3, line 18-23.

¹¹ Ibid, Case No. GO-2022-0171, Page 6, line 5-7.

For Spire East, Staff used the current case and past five ISRS cases for the analysis.

<u>SPIRE EAST</u>			
Case Number	Total Blanket Work Order Request	Total Gross ISRS Plant Request (Before Adjustment for Plastic until GO-2022-0171)	Blanket Work Orders as Percentage of Total ISRS Request
GO-2022-0171	\$13,219,257	\$38,627,512	34%
GO-2021-0030	\$16,764,760	\$42,926,831	39%
GO-2020-0229	\$20,344,136	\$55,181,666	37%
GO-2019-0356	\$19,851,063	\$51,912,413	38%
GO-2019-0115	\$18,164,079	\$55,554,141	33%
GO-2018-0309	\$17,774,159	\$67,583,414	26%

Although Spire Missouri’s level of detail in support of its blanket work orders has improved and the percentage of blanket work orders in its current filing is lower, Staff continues to be concerned that over the past several ISRS filings, the portion of Spire Missouri’s ISRS applications driven by blanket work orders is substantial compared to total plant additions. Spire Missouri is unable to provide Staff with documentation to support the blanket work orders beyond a brief text description of each task charged to the blanket work order. Since the ratio of blanket work order requests compared to the total recovery request is currently still substantially high, notably for Spire East, Staff recommends Spire Missouri continues to improve its blanket work order process and limits the number of projects included in blanket work orders. At this time Staff does not propose any disallowances related to blanket work orders. Staff is interested in discussing this issue further with the Company.

Taxes and Depreciation

Consistent with past ISRS reviews, Auditing Staff verified that the calculation of the ISRS revenue requirement for ISRS-qualifying plant reflects the latest whole month prior to the effective date of the ISRS rates. Staff included all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacement costs through May 31, 2022, which is the most recent full month prior to the effective date of rates in this case.

Staff included in its ISRS revenue requirement calculations tax deductions associated with interest expense and capitalized overheads associated with ISRS plant additions in this period.

All of these tax deductions are directly associated with and incremental to the ISRS plant additions in this proceeding. The amounts of these tax deductions associated with installation of ISRS-eligible plant generated enough tax savings to offset current income taxes that would be applicable for recovery under ISRS for Spire East. Staff included an amount of current income taxes net of these adjustments for Spire West.

Staff reviewed whether property taxes associated with ISRS eligible plant projects should be included in the ISRS revenue requirement. Section 393.1009.7, RSMo requires property taxes be collected due within twelve months of the ISRS filing on the total cost of eligible infrastructure system replacement less any related facility retirements. Spire Missouri filed this ISRS on December 23, 2021. Property taxes on the ISRS eligible plant projects will not be due until December 31, 2022, which is more than within twelve months of this ISRS filing. Therefore, Staff did not include any property taxes on the ISRS eligible plant.

Capitalized Overheads

In Spire’s prior rate case, the Commission issued a series of Orders requiring, “Spire Missouri to cease recovery of capitalized non-operational overhead costs in plant, going forward, until Spire Missouri’s compliance with the USOA is shown.”¹² Once Spire has shown compliance, the Commission allowed for changes to Spire’s overhead allocations to be prospectively implemented in future ISRS filings or Spire Missouri’s subsequent rate case. The Commission stated that showing USOA compliance prior to recognizing non-operational overheads in an ISRS case, “...will prevent inclusion of non-operational overhead costs that are ultimately determined to be inappropriate from being included in plant additions recovered through ISRS cases before the resolution of this issue in Spire Missouri’s next rate case.”¹³ In response to the Commission’s Orders, Spire Missouri initiated internal and external studies of its capitalized overheads. For Staff’s findings and recommendations on Spire Missouri’s capitalized overhead analyses, see Staff Report filed on March 18, 2022 in Case No. GR-2021-0108 (EFIS Item No. 464).

¹² *Amended Report and Order*, Page 82. Case No. GR-2021-0108.
¹³ *Id.*

Staff notes that regarding overhead costs incurred between June 1, 2021 and the effective date of rates from Case No. GR-2021-0108, the Commission explicitly stated, "...the Commission is not pre-determining the reasonableness of [non-operational overhead] costs or whether those costs would be allowed recovery."¹⁴ In the current ISRS case, Staff adjusted the cost of Spire Missouri's administrative and general ("A&G") labor overheads to reflect Staff's recommended capital transfer rates. Staff believes this adjustment will include A&G labor in the ISRS surcharge using a capitalization methodology that is compliant with the Uniform System of Accounts ("USOA").

ENGINEERING ANALYSIS REVIEW

In contrast with prior ISRS applications filed by Spire, the current application does not attempt to provide evidence related to the physical condition of the cast iron, steel, or plastic pipes being replaced as a part of ISRS eligible projects. Since its last ISRS application, the ISRS statute has been changed to allow for recovery of "any cast iron or steel facilities including any connected or associated facilities that, regardless of their material, age, or condition, are replaced as a part of a qualifying replacement project in a manner that adds no incremental cost to a project compared to tying into or reusing existing facilities."

The legacy Spire distribution system that is being replaced contains a combination of cast iron, steel, and plastic pipes that have been repaired and added onto for more than one hundred years. As a result, within the scope of any particular main replacement project, multiple pipe material types of diverse vintages can be encountered. When such projects are identified, Spire must decide how to most cost effectively install its new distribution mains. That planning process considers, on a case-by-case basis, the relative cost of reusing or abandoning certain parts of the existing system. When necessary, Spire performs analyses to find the incremental cost of reusing existing facilities verses abandoning those existing facilities and installing all new pipe. The purpose of examining those two different construction scenarios is to attempt to quantify which approach (reuse or abandonment) would result in a lower total construction cost.

¹⁴ *Order Providing Clarification to Report and Order and Delegating Authority*, Page 2. Case No. GR-2021-0108.

Staff has examined similar analyses in prior ISRS applications from Spire and has observed that it is almost always more cost effective to abandon short sections of interspersed plastic or steel pipe from the legacy distribution system than to attempt to reuse them. Reuse often would require additional excavation, street repairs, and potentially longer construction timelines. The benefits of reusing existing short sections of pipe is small due to the low material costs of pipe and the high costs of the equipment, time, and labor needed to tie into them.

A common scenario observed by Staff is one in which a new distribution main is being installed on the opposite side of the street from the existing main. The existing main may contain short sections of plastic pipe interspersed with sections of cast iron pipe. Reuse of the existing plastic pipe in the new distribution system would mean spending thousands of dollars in time and materials in order to reuse tens or hundreds of dollars' worth of plastic pipe.

Staff recognizes that every construction site is different and poses unique challenges. To address that, Spire has provided incremental cost analyses for each of the ISRS eligible projects that contain interspersed plastic pipe or other facilities. The incremental cost analyses consist of maps that overlay the two construction scenarios that were considered by Spire. The construction costs for the two scenarios were estimated by Spire using the same material and labor costs in order to provide an "apples-to-apples" comparison. In the event that the construction plan chosen by Spire to execute is the more expensive of the two scenarios, the cost difference between the two plans is subtracted from the ISRS application and is labeled as an "incremental cost." In that way, Spire still performs the construction in the way that it prefers, but the costs from choosing the more expensive option are offset in order to limit impacts to customers.

RECOMMENDATION

Based upon the rationale stated above, Staff recommends the Commission issue an order in this case that:

1. Rejects Spire East's and Spire West's proposed increase in ISRS rates, as filed on December 23, 2021 and assigned Tracking No. YG-2022-0192.

The page being rejected is as follows:

P.S.C. MO. No. 9

First Revised Sheet No. 12 / Replacing Original Sheet No. 12

2. Approves Staff's proposed substitute ISRS rates as shown in Appendices B-1 and B-2. These rates are based on \$3,140,682 for Spire East and \$5,523,495 for Spire West being the appropriate cumulative revenue requirement for this proceeding plus Staff's use of the most current customer count in calculating appropriate ISRS rates. Staff's proposed ISRS rates will generate this level of revenue based upon customer levels from the Company's most recent general rate case.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI


In the Matter of the Application of Spire)
Missouri, Inc. d/b/a Spire to Change its)
Infrastructure System Replacement) File No. GO-2022-0171
Surcharged in its Spire Missouri East and)
West Service Territories)

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW David M. Sommerer, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

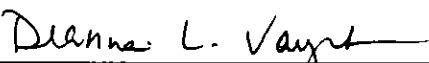
Further the Affiant sayeth not.



David M. Sommerer

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 23rd day of March, 2022.



Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

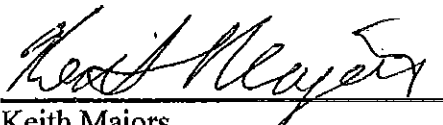
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Missouri, Inc. d/b/a Spire to Change its) File No. GO-2022-0171
Infrastructure System Replacement)
Surcharged in its Spire Missouri East and)
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AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW Keith Majors, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.



Keith Majors

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 22nd day of March, 2022.



M. RIDENHOUR
My Commission Expires
July 22, 2023
Platte County
Commission #19603483


Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Spire)
Missouri, Inc. d/b/a Spire to Change its)
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File No. GO-2022-0171

AFFIDAVIT OF ANTONIJA NIETO

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

COMES NOW Antonija Nieto, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.



Antonija Nieto

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 22nd day of March, 2022.



M. RIDENHOUR
My Commission Expires
July 22, 2023
Platte County
Commission #18603483



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

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AFFIDAVIT OF CHARLES T. POSTON, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Charles T. Poston, PE, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

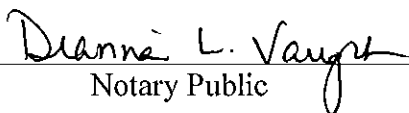


Charles T. Poston, PE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 23rd day of March, 2022.

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2023
Commission Number: 15207377



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

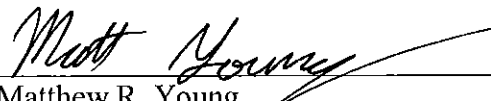
In the Matter of the Application of Spire)
Missouri, Inc. d/b/a Spire to Change its)
Infrastructure System Replacement) File No. GO-2022-0171
Surcharged in its Spire Missouri East and)
West Service Territories)

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

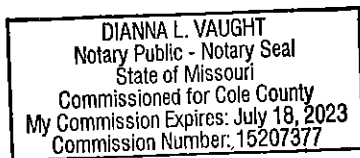
COMES NOW Matthew R. Young, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation in Memorandum form*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

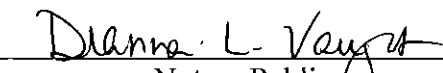
Further the Affiant sayeth not.


Matthew R. Young

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 22nd day of March, 2022.




Notary Public

**SPIRE MISSOURI INC. - EAST
CASE NO. GO-2022-0171
ISRS RATE DESIGN**

REV. REQ. \$3,140,682

Staff's Total ISRS Rev Req

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	617,236	\$22.00	1.0000	617,236	84.8110%	\$0.36	\$2,663,644
SGS (Small Gen. Service)	35,106	\$37.31	1.6959	59,537	8.1806%	\$0.61	\$256,926
LGS-Large Gen. Service	5,616	\$133.25	6.0568	34,015	4.6738%	\$2.18	\$146,790
LV-Large Volume Service	39	\$974.62	44.3009	1,728	0.2374%	\$15.93	\$7,456
SL-Unmetered Gas Light	72	\$6.40	0.2909	21	0.0029%	\$0.10	\$90
General LP	36	\$19.12	0.8691	31	0.0043%	\$0.31	\$135
Large Volume Transport	157	\$2,131.41	96.8823	15,211	2.0900%	\$34.84	\$65,640
TOTAL	658,262			727,778	100.00%		\$3,140,682

Due to rounding to the nearest penny, the designed ISRS rates **will over-collect by \$249**. However, it should be noted that the total amount collected will be trued-up at a later date.

SPIRE MISSOURI INC. -WEST
CASE NO. GO-2022-0171
ISRS Rate Design

Staff's Total ISRS Rev Req **\$5,523,495**

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>19.94870146</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	493,298	\$20.00	1.0000	493,298	81.2504%	\$0.76	\$4,487,860
SGS (Small Gen. Service)	29,393	\$37.20	1.8600	54,671	9.0048%	\$1.41	\$497,378
LGS-Large Gen. Service	3,845	\$161.39	8.0695	31,027	5.1104%	\$6.12	\$282,275
LV-Large Volume Service	14	\$1,357.95	67.8975	951	0.1566%	\$51.48	\$8,648
LGS Transport	225	\$180.80	9.0400	2,034	0.3350%	\$6.85	\$18,505
LV Transport	439	\$1,145.90	57.2950	25,153	4.1428%	\$43.44	\$228,829
TOTAL	527,214			607,133	100.00%		\$5,523,495

Due to rounding to the nearest penny, the designed ISRS rates **will over-collect by \$923** However, it should be noted that the total amount collected will be trued-up at a later date .

Note: Intrastate Transportation Service (ITS) ISRS rate is same as LV Transport

**Spire Missouri East
ISRS - Case # GO-2022-0171
Staff ISRS Revenue Requirement Calculation**

**Spire Missouri East
ISRS Revenue Requirement Calculation**

ISRS Activity:

Gas Utility Plant Projects - Main Replacements and Other Projects Extending Useful Life of Mains:

<u>Work Orders Placed in Service</u>	
Gross Additions	12,666,240
Deferred Taxes	(106,968)
Accumulated Depreciation	<u>(129,066)</u>

Total Net 12,430,206

Gas Utility Plant Projects - Service Line Replacements and Insertion Projects:

<u>Work Orders Placed in Service</u>	
Gross Additions	22,759,802
Deferred Taxes	(183,787)
Accumulated Depreciation	<u>(611,100)</u>

Total Net 21,964,915

Gas Utility Plant Projects - Regulator Stations:

<u>Work Orders Placed in Service</u>	
Gross Additions	8,993
Deferred Taxes	(105)
Accumulated Depreciation	<u>(278)</u>

Total Net 8,610

Gas Utility Plant Projects - Main Relocations net of Reimbursements:

<u>Work Orders Placed in Service</u>	
Gross Additions	1,285,695
Deferred Taxes	(13,634)
Accumulated Depreciation	<u>(13,973)</u>

Total Net 1,258,088

**Increase in Accumulated Deferred Income Taxes and Accumulated Depreciation
Associated with Eligible Infrastructure System Replacements which are included in a
Currently Effective ISRS**

Total Incremental Accumulated Depreciation	-
Total Incremental Accumulated Deferred Taxes	-

Total ISRS Rate Base 35,661,819
Overall Rate of Return per GR-2021-0108 6.37%
UOI Required 2,271,979
Income Tax Conversion Factor 1.31305
Revenue Requirement on Capital 2,983,222

Total ISRS Rate Base 35,661,819
Weighted Cost of Debt per GR-2021-0108 1.699%
Interest Deduction 605,894
Marginal Income Tax Rate 23.84%
Income Tax Reduction due to Interest 144,445
Income Tax Conversion Factor 1.31305
Revenue Requirement Impact of Interest Deductibility 189,664

263A Transfers Deduction 3,707,643
Service Transfers Deduction 0
263A and Service Transfers Tax Deductible Items 3,707,643
Income Tax Factor 23.84%
Income Tax Reduction due to Deductible Items 883,902
Income Tax Conversion Factor 1.3131
Revenue Requirement Impact of Interest Deductibility \$ 1,160,608

Total Revenue Requirement on Capital 2,271,979
Depreciation Expense 868,703
Net Property Taxes -
ISRS Undercollection -
Total ISRS Revenues 3,140,682

**Spire Missouri West
Case No. GO-2022-0171
Staff Recommended ISRS Revenue Requirement Calculation**

**Spire Missouri West
Staff Recommended ISRS Revenue Requirement Calculation**

ISRS Activity:

Gas Utility Plant Projects - Main Replacements and Other Projects Extending Useful Life of Mains:

<u>Work Orders Placed in Service</u>	
Gross Additions	55,204,980
Deferred Taxes	(540,943)
Accumulated Depreciation	(632,102)
	<hr/>

Total Net 54,031,935

Gas Utility Plant Projects - Service Line Replacements and Insertion Projects:

<u>Work Orders Placed in Service</u>	
Gross Additions	3,837,355
Deferred Taxes	(41,586)
Accumulated Depreciation	(75,955)
	<hr/>

Total Net 3,719,814

Gas Utility Plant Projects - Regulator Stations:

<u>Work Orders Placed in Service</u>	
Gross Additions	731,728
Deferred Taxes	(4,065)
Accumulated Depreciation	(9,889)
	<hr/>

Total Net 717,774

Gas Utility Plant Projects - Main Relocations net of Reimbursements:

<u>Work Orders Placed in Service</u>	
Gross Additions	5,740,063
Deferred Taxes	(80,074)
Accumulated Depreciation	(74,623)
	<hr/>

Total Net 5,585,366

**Increase in Accumulated Deferred Income Taxes and Accumulated Depreciation
Associated with Eligible Infrastructure System Replacements which are included in a
Currently Effective ISRS**

Total Incremental Accumulated Depreciation	-
Total Incremental Accumulated Deferred Taxes	-

Total ISRS Rate Base	64,054,889
Overall Rate of Return per GR-2021-0108	6.37%
UOI Required	<u>4,080,873</u>
Income Tax Conversion	1.31303
Revenue Requirement on Capital	<u>5,358,309</u>

Total ISRS Rate Base	64,054,889
Weighted Cost of Debt per GR-2021-0108	1.699%
Interest Deduction	1,088,293
Marginal Income Tax Rate	23.84%
Income Tax Reduction due to Interest	259,449
Income Tax Conversion Factor	1.31303
Revenue Requirement Impact of Interest Deductibility	<u>340,664</u>

263A Transfers Deduction	1,985,216
Service Transfers Deduction	-
263A and Service Transfers Tax Deductible Items	<u>1,985,216</u>
Income Tax Factor	23.84%
Income Tax Reduction due to Deductible Items	473,275
Income Tax Conversion Factor	1.31303
Revenue Requirement Impact of Interest Deductibility	<u>621,425</u>

Revenue Requirement on Capital	4,080,873
Net Income Taxes	315,347
Depreciation Expense	1,127,275
Net Property Taxes	-

Total ISRS Revenues 5,523,495