

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

In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0115**
Replacement Surcharge in its Spire Missouri)
East Service Territory)

In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0116**
Replacement Surcharge in its Spire Missouri)
West Service Territory)

**STAFF RESPONSE TO ORDER DIRECTING RESPONSE AND NOTICE OF
SECOND CORRECTED REVENUE REQUIREMENT FOR SPIRE EAST**

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Staff Response to Order Directing Response and Notice of Second Corrected Revenue Requirement for Spire East*, states as follows:

On May 1, 2019, the Commission issued its *Order Directing Response* directing Staff to explain two issues raised by the Office of the Public Counsel (“OPC”) in OPC’s April 30th response to the April 25, 2019 Staff Report as corrected on April 29, 2019:

Specifically, the Commission directs Staff to explain:

- 1) *With regard to Public Counsel’s first issue, why service renewals are included in blanket work orders?*

Staff Response:

Blanket work orders cover a large number of tasks, do not close for an extended period of time, and contain items that are not planned replacement projects. Blanket work orders can contain leak repairs, reconnections, installations or relocations of a customer’s service lines. Service renewals are the replacement of service lines. The replacement of the service line could be done at the customer’s request or due to a leak repair.

In Staff's Direct Report and Recommendation filed in this proceeding, Staff calculated the percentage of eligible vs. ineligible tasks contained within the blanket work orders and applied the ineligible task percentage to the blank work order total to calculate the amount of blanket work orders that were not ISRS eligible. Items not eligible for ISRS recovery were relocations at a customer's request, replacements due to excavation damage, replacement of plastic not related to a leak repair and installation of new services.

In Staff's Report filed on April 25, 2019, and Notice of Correction filed on April 29th, Staff did not change the adjustment to the blanket work orders in keeping with the *Order Directing Filing and Setting Response Times* ("Order") issued by the Commission on April 24, 2019. The Order states on page 2: "*Staff need not make these calculations for the blanket work orders, the relocations, or any other type of work order that the parties have agreed are ISRS eligible.*"

- 2) *With regard to Public Counsel's second issue, whether the plant removed in the transfer work orders in question includes plastic? If so, why an adjustment was not made? Also, what percentage of the removed plant was plastic?*

Staff Response:

Upon further review, Staff erred in its calculation for Case No. GO-2019-0115 (Spire East). Staff erroneously included 100% recovery of service transfers work orders. Attached is Staff's revenue requirement that corrects this error. For the service transfer work orders 6.36% of the service line renewals were plastic. This amount has been removed from Staff's calculation in its April 29th CORRECTED Spire East ISRS Revenue Requirement. This second correction reduces Spire East's ISRS revenue requirement (as corrected April 29th) by \$360,067.

Attached hereto and incorporated herein are: *Spire Missouri East ISRS Revenue Requirement Calculation- SECOND CORRECTED* (Attachment "A") and the *Spire Missouri West ISRS Revenue Requirement Calculation- CORRECTED*

(Attachment "B" as filed on April 29th is attached for convenience). The corrected calculations are verified by Staff auditor Kim Bolin.

WHEREFORE, Staff prays the Commission accept its *Response to Order Directing Response* and Staff's *SECOND CORRECTED Spire Missouri East ISRS Revenue Requirement Calculation*.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin

Deputy Staff Counsel

Missouri Bar No. 51709

(573) 526-7779 (Telephone)

(573) 751-9285 (Fax)

bob.berlin@psc.mo.gov

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 1st day of May, 2019, to all counsel of record.

/s/ Robert S. Berlin

Spire Missouri East
ISRS - Case # GO-2019-0115
ISRS Revenue Requirement Calculation - 2 nd CORRECTED 5/1/2019

Spire Missouri East
ISRS Revenue Requirement Calculation

ISRS Activity:

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

Work Orders Placed in Service

Gross Additions	29,753,074
Deferred Taxes	(200,853)
Accumulated Depreciation	(203,864)

Total Net 29,348,357

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

Work Orders Placed in Service

Gross Additions	17,893,059
Deferred Taxes	(198,809)
Accumulated Depreciation	(305,328)

Total Net 17,388,922

Gas Utility Plant Projects - Regulator Stations:

Work Orders Placed in Service

Gross Additions	-
Deferred Taxes	-
Accumulated Depreciation	-

Total Net -

Gas Utility Plant Projects - Main Relocations net of Reimbursements:

Work Orders Placed in Service

Gross Additions	1,532,907
Deferred Taxes	(17,392)
Accumulated Depreciation	(9,470)

Total Net 1,506,045

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	(595,783)
Total Incremental Accumulated Deferred Taxes	(110,103)

Total ISRS Rate Base 47,537,438

Overall Rate of Return per GR-2017-0215 7.20%

UOI Required 3,421,602

Income Tax Conversion Factor 1.34135

Revenue Requirement Before Interest Deductibility 4,589,566

Tax Gross up @25.4482% 1,167,964

Split 50/50 583,982

Total Revenue Requirement on Capital 4,005,584

Depreciation Expense 880,706

Net Property Taxes 1,539,224

Total ISRS Revenues 6,425,514

**Spire Missouri West
 ISRS - Case # GO-2019-0116
 ISRS Revenue Requirement Calculation - CORRECTED 4/29/2019**

**Spire Missouri West
 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	34,427,643
Deferred Taxes	(422,939)
Accumulated Depreciation	(231,234)
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Total Net 33,773,470

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

<u>Work Orders Placed in Service</u>	
Gross Additions	5,855,682
Deferred Taxes	(74,172)
Accumulated Depreciation	(81,686)
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Total Net 5,699,824

Gas Utility Plant Projects - Regulator Stations:

<u>Work Orders Placed in Service</u>	
Gross Additions	49,886
Deferred Taxes	(272)
Accumulated Depreciation	(360)
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Total Net 49,254

Gas Utility Plant Projects - Main Relocations net of Reimbursements:

<u>Work Orders Placed in Service</u>	
Gross Additions	3,072,465
Deferred Taxes	(49,944)
Accumulated Depreciation	(25,649)
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Total Net 2,996,872

**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	(1,051,623)
Total Incremental Accumulated Deferred Taxes	(246,973)

Total ISRS Rate Base 41,220,825

Overall Rate of Return per GR-2017-0216 7.20%

UOI Required 2,966,951

Income Tax Conversion 1,34135

Income Tax Before Tax Deductions 3,979,720

Tax Gross Up @25.4482% 1,012,769

Split 50/50 506,385

Total Revenue Requirement on Capital 3,473,336

Depreciation Expense 710,717

Net Property Taxes 2,598,507

Total ISRS Revenues 6,782,560

