

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

In the Matter of the Application of Spire Missouri Inc.)
to Transfer Certain Assets to Saint Louis University)

File No. GM-2020-0292

STAFF RECOMMENDATION TO APPROVE TRANSFER OF ASSETS

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through the undersigned counsel, and for its *Staff Recommendation to Approve Transfer of Assets* respectfully states:

1. On March 18, 2020, Spire filed a *Verified Application for Authority to Transfer Assets* (“Application”) to transfer or otherwise dispose of six individual sections of Spire-owned natural gas distribution facilities located at different areas within the Saint Louis University (“SLU”) campus in its Spire East service territory to SLU. The Spire assets to be transferred to SLU included natural gas distribution main and service pipelines as well as related regulators and appurtenances, the exact locations of which were shown in Exhibit B of Spire’s Application. The Application listed the purchase price of the assets as \$139,116.

2. In an *Order Directing Notice and Setting Deadlines for Intervention Application and Staff’s Recommendation*, issued on March 24, 2020, the Commission directed Spire to supplement its Application to address the notice requirement of 20 CSR 4240-4.017 no later than April 28, 2020, and ordered Staff to file either a recommendation regarding Spire’s Application or a status report advising when it expects to file a recommendation, no later than June 22, 2020.

3. On April 8, 2020, Spire submitted its *Request for Waiver of 60 Day Notice Rule* (“Request for Waiver”), and on May 8, 2020, Spire filed an *Amended Application for Authority to Transfer Assets* (“Amended Application”). The Amended Application removed the assets included in the Bill of Sale 6 from the Application and updated the fair market value calculation of the assets and amount paid to Spire to \$93,470.

4. Pursuant to Section 393.190 RSMo, no gas corporation shall sell or transfer its assets or franchise without having first secured authorization from the Commission.

5. Staff reviewed Spire’s Application and Amended Application and conducted an investigation and found that Spire is in good standing with the Missouri Secretary of State, and Spire provided the information required by 20 CSR 4240-10.105. Spire also stated in its Amended Application that it has taken efforts to make sure that SLU is aware of the responsibilities associated with owning these particular assets and has had discussions with representatives of SLU regarding the maintenance associated with the distribution systems, and shared with SLU the relevant Commission safety rules.

6. As further explained in the Staff Memorandum, attached hereto as Appendix A, Staff conducted an investigation into Spire’s request. Based upon Staff’s review and investigation, Staff has determined that the proposed sale and transfer of assets from Spire to SLU is not detrimental to the public interest. Staff recommends the Commission approve and authorize this transfer of assets, with the following conditions:

- a. Spire shall repair the Class 3 leak located at 3550 Lindell Boulevard if the leak location is determined to be associated with the Spire assets proposed for sale.

b. Spire shall install a tracer wire or provide other means of locating the plastic service line for 220 N. Grand Boulevard.

c. Spire shall investigate the cause of the deficient cathodic protection at both 3500 Lindell Boulevard and Lindell & Theresa Power Plant and take corrective measures to restore cathodic protection.

7. Spire's Request for Waiver contained a request that the Commission waive the 60-day filing notice required by 20 CSR 4240-4.017(1). Spire's Request for Waiver provided a verified declaration that it had not had communication with the office of the commission (as defined by 20 CSR 4240-4.015(10)) within the prior 150 days regarding any substantive issues likely to be in the case, and therefore, Staff agrees good cause exists, pursuant to 20 CSR 4240.017(1)(D), to waive the 60-day notice requirement.

WHEREFORE, Staff recommends that the Commission approve and authorize the proposed transfer of assets, with the conditions, as stated herein; and grant such other and further relief as the Commission considers just in the circumstances.

Respectfully submitted,

/s/ Jamie S. Myers

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served via e-mail on counsel for the parties of record to this case on this 22nd day of June, 2020.

/s/ Jamie S. Myers

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GM-2020-0292, In the Matter of the Application of Spire Missouri Inc.
to Transfer Certain Assets to Saint Louis University

FROM: Paul K. Amenthor – Auditing Department – St. Louis
Greg A. Williams – Safety Engineering Department
David M. Sommerer – Procurement Analysis Department

<u>/s/ Kathleen A. McNelis, PE</u> 6/22/2020 Safety Engineering Department / Date	<u>/s/ Jamie S. Myers</u> 6/22/2020 Staff Counsel Department / Date
<u>/s/ Kimberly K. Bolin</u> 6/22/2020 Auditing Department / Date	<u>/s/ David M. Sommerer</u> 6/22/2020 Procurement Analysis Dept. / Date

SUBJECT: Staff Recommendation to Approve Amended Application

DATE: June 22, 2020

STAFF RECOMMENDATION TO APPROVE SPIRE MISSOURI'S AMENDED APPLICATION

The Staff of the Missouri Public Service Commission (“Staff”) recommends that the Missouri Public Service Commission (“Commission”) approve the *Amended Application of Spire Missouri Inc. for Authority to Transfer Assets* (“Amended Application”) of Spire Missouri Inc. (“Spire”) to transfer a portion of its franchise, works or system to Saint Louis University (“SLU”) for a purchase price of \$94,370 per the terms in the bills of sale attached to the Amended Application, with the following conditions:

1. Spire shall repair the Class 3 leak located at 3550 Lindell Boulevard if the leak location is determined to be associated with the Spire assets proposed for sale.
2. Spire shall install a tracer wire or provide other means of locating the plastic service line for 220 N. Grand Boulevard.
3. Spire shall investigate the cause of the deficient cathodic protection at both 3500 Lindell Boulevard and at the Lindell & Theresa Power Plant and take corrective measures to restore cathodic protection.

Saint Louis University is located at 1 North Grand Boulevard with a surrounding campus in St. /Louis and it seeks to acquire assets at multiple locations on its campus. Staff finds the transaction is not detrimental to the public interest pursuant Section 393.190.1, and is consistent with 20 CSR 4240-2.060 and 20 CSR 4240-10.105.

OVERVIEW

On March 18, 2020, Spire filed a *Verified Application for Authority to Transfer Assets* to transfer or otherwise dispose of six individual sections of Spire-owned natural gas distribution facilities located at different areas within the SLU campus in its Spire East service territory to SLU. As listed below, specifically from Spire's original March 18, 2020 application, the assets to be transferred include natural gas distribution main and service pipelines as well as related regulators and appurtenances, the exact locations of which are shown in detail in Exhibit B of Spire's filing. The purchase price included in the original application was \$139,116. In addition to the assets listed below, Spire removed some of its existing service meters that were installed on SLU's campus prior to the construction described below and returned those meters to their shop for refurbishment or retirement. However, Spire also purchased and sold three master meters to be installed on campus to allow SLU to operate the assets as a transport customer:

Bill of Sale	Asset Description
1	Approximately 808 feet of 2-inch steel main, 147 feet of 0.38-inch plastic service, and 127 feet of 0.5-inch plastic service
2	Approximately 1936 feet of 2-inch steel main, 129 feet of 0.38-inch plastic service, and 197 feet of 0.5-inch plastic service
3	Approximately 491 feet of 6-inch steel main, 112 feet of 2-inch steel service, and 19 feet of 2-inch steel service
4	Approximately 146 feet of 2-inch plastic service
5	Approximately 155 feet of 8-inch steel main, 456 feet of 2-inch plastic service, 227 feet of 8-inch steel service, and 158 feet of 0.75-inch service
6	Approximately 80 feet of 6-inch plastic main, 885 feet of 6-inch steel main, 346 feet of 4-inch steel main, 268 feet of 1.25-inch plastic service, 392 feet of 4-inch steel service, 318 feet of 2-inch steel service, 42 feet of 1-inch copper service

On March 24, 2020, in an *Order Directing Notice and Setting Deadlines for Intervention Application and Staff's Recommendation*, the Commission directed that the data center shall provide notice of this order and Spire's application to the Board of Alderman of the City of St. Louis. In that same order, the Commission also directed Spire to supplement its application to address the notice requirement of 20 CSR 4240-4.017 no later than April 28, 2020, and ordered Staff to file either a recommendation regarding Spire's application or a status report advising when it expects to file a recommendation, no later than June 22, 2020.

On April 8, 2020, Spire submitted its *Request for Waiver of 60 Day Notice Rule*.

On May 8, 2020, Spire filed an *Amended Application for Authority to Transfer Assets*. The Amended application removed the assets included in the Bill of Sale 6 from the original application by making adjustments in paragraphs 6, 8.A., 8.B., 8.D., and Exhibit C, and also removing

references to Bill of Sale 6, adjusting pipeline footage, updating the fair market value calculation of the assets and updating the amount paid to Spire to \$93,470. In Spire's Amended Application, the facilities represent 5,108 feet of pipeline in total which range in age from two years to over sixty years old. All six (revised to five in its Amended Application) sections are located within SLU's property and will only be used to serve the SLU campus. All maintenance associated with the assets after the transfer will be the responsibility of SLU.

For each of the five sections of Spire's gas piping involved in this Amended Application request, Spire included an Exhibit B - Bill of Sale to describe what Spire assets were included. For Bill of Sale 1 through 5, the combined assets included ¾-inch, 2-inch, 6-inch, and 8-inch nominal diameter steel gas piping, and .38-inch, ½-inch, and 2-inch diameter polyethylene (PE) gas piping.

In addition, Paragraph 8.D. of Spire's May 8, 2020 Amended Application stated the following:

Spire has also taken efforts to make sure that SLU is aware of the responsibilities associated with owning the Assets. Spire has had discussions with representatives of SLU regarding the maintenance associated with the distribution system, and has shared with SLU the relevant Commission safety rules, as exhibited in Exhibit D.

According to its Application, on November 12, 2019 Spire mailed the Assistant Vice President of SLU Facilities Management & Construction Services a letter discussing the importance of complying and becoming familiar with gas pipeline safety regulations. Among other things, the Spire letter also included a website link to Missouri Public Service Commission's 20 CSR 4240-40.020, and 20 CSR 4240-40.030, which are rules found in the Commission's Chapter 40-Gas Utilities and Gas Safety Standards.

DISCUSSION

SLU is a private Catholic, Jesuit Research University located in the state of Missouri. SLU is currently not subject to the regulatory jurisdiction of the Commission, but will be subject to the Commission's regulatory jurisdiction for pipeline safety if the transfer of the assets is approved.

SLU received natural gas service from Spire as a Commercial customer. During Staff's discovery process, Staff learned from the responses to Staff Data Requests Nos. 17 and 47 that Spire had already received payment for the assets and executed bills of sale and those documents did not state that the execution of the sale was contingent on the approval of the Commission; however, Spire is now in the process of re-executing new bills of sale to actually reflect Commission approval once this case concludes. Spire also explained in its response to Staff Data Request No. 47 that the original bills of sale are considered null and void. Spire's legal counsel relayed that Spire had a conference call with SLU on September 3, 2019 to let it know that Commission approval was required to transfer the assets and that the executed bills of sale were not legally valid for this reason.

The original bills of sale were executed by both Spire and SLU on the following dates:

<u>Bill of Sale</u>	<u>Date of Execution</u>
1	June 25, 2019
2	June 25, 2019
3	July 24, 2019
4	August 7, 2019
5	August 12, 2019

According to Spire's application, in January 2018, SLU contacted Spire regarding SLU's desire to consolidate the above facilities serving it and also its desire to assume more responsibility for its own gas supply. In other words, SLU wished to switch from a commercial customer to a transport customer under Spire's tariff so that SLU may purchase its own gas at wholesale rates. Several months of discussions between Spire and SLU ensued regarding the changes that would need to be made to effectuate SLU's proposal. For SLU to serve gas to its own facilities, it needed its own gas distribution system. Rather than SLU build an entirely new gas distribution system on its campus, Spire agreed to transfer to SLU certain segments of Spire's gas distribution system used to serve SLU. In order to minimize the amount of service disruption on campus, work surrounding the transfer of assets was divided into six phases (revised to five phases in the Amended Application). This work consisted of cutting, capping mains and abandoning and transferring the gas distribution lines. The cost of construction consisted of the material and labor to perform said construction. The completion of construction work for the assets in each bill of sale is shown below:

Bill of Sale	Approximate Completion Date of Construction	Cost of Construction
1	July 26, 2019	\$32,166
2	July 26, 2019	\$12,874
3	July 27, 2019	\$12,544
4	August 7, 2019	\$5,888
5	August 12, 2019	\$29,998
Total		\$93,470

The transfer of assets was approved at Spire's March 9, 2019 Board of Directors Meeting. Spire received and deposited two payments (not held in escrow) from SLU for the above assets as follows on June 11, 2019 and September 20, 2019 respectively:

June 11, 2019 Payment Deposited of \$185,204:

Materials and Labor for Cutting/Capping Mains:	\$ 93,470
Master Meter Installation:	\$ 91,734
Total:	\$185,204

September 20, 2019 Payment Deposited of \$45,872:

<u>Master Meter Installation:</u>	<u>\$45,872</u>
Total:	\$45,872

As part of this transaction, two gas transportation contracts between Spire and SLU went into effect as of October 1, 2019; and all maintenance associated with the assets after the transfer will be the responsibility of SLU. At this time, it is Staff's understanding that Spire is maintaining the assets with intention of later transferring this duty to SLU. Spire stated in its response to Staff Data Request No. 0044 that SLU has indicated to Spire that SLU will utilize a utility services contractor, USDI, to operate and maintain its system. According to Spire's response to Staff Data Request No. 15, this will eventually reduce Spire's yearly operation & maintenance expense (walking leak surveys and test station inspections) by \$318.

Spire also indicated in response to Staff Data Request No.13 that no assets included in the transfer to SLU are included in any amount being collected from a previous ISRS filing nor any active ISRS filing.

The property tax associated with the transfer of the assets is minimal at approximately \$1,138 and there are no franchise taxes related to these assets.

According to the response to Staff Data Request No. 14, the sales price equated to the materials and labor cost to cut and cap the mains; which would result in no gain or loss and no tax impact. However, Spire did not receive any payment associated with the net book value of the assets and the sales price reflected only the value of the construction work performed by Spire. It was relayed to Staff during a meeting with Spire personnel on June 9, 2020 that the net book value of the assets would be written off by Spire. Normally, this would create a tax impact for deferred taxes but due to the age of these assets they are considered fully depreciated for tax purposes with no remaining tax value and as such there is no tax adjustment necessary.

During the discovery process Staff realized that, in essence, this transaction was fully complete with the exception of the transferred assets being written off of Spire's books and approval from the Commission. As stated above, the value received by Spire was merely for the construction and master meters, no value was given for the net book value of the assets transferred that were already on Spire's books. This means that technically those assets were either abandoned or donated and would ultimately create a loss with the value of that loss dependent on the date when this transaction is considered complete. For informational purposes, Staff has calculated the net book value for two scenarios. The first scenario assumes that the transaction was completed on August 31, 2019 when the construction was complete and payment had been deposited. The second scenario assumes that the transaction was completed after May 31, 2020; this contemplates the latest full month of depreciation before filing Staff's recommendation. The actual net book value will be different depending on the exact date of execution of the sale of the assets after Commission approval.

The calculation of net book value is depicted in the chart that follows as of August 31, 2019:

<u>Asset</u>	<u>Original Cost</u>	<u>Less: Depreciation Reserve</u>	<u>Net Book Value</u>
Bill of Sale 1	\$23,404	\$11,473	\$11,931
Bill of Sale 2	\$32,982	\$18,375	\$14,607
Bill of Sale 3	\$9,730	\$7,782	\$1,948
Bill of Sale 4	\$5,101	\$2,959	\$2,142
Bill of Sale 5	<u>\$23,403</u>	<u>\$15,713</u>	<u>\$7,690</u>
Total	\$94,619	\$56,302	\$38,317

If you consider the transaction complete as of August 31, 2019, the net book value at that time is as shown above and would create a loss of \$38,317.

The calculation of net book value is depicted in the chart that follows as of May 31, 2020:

<u>Asset</u>	<u>Original Cost</u>	<u>Less: Depreciation Reserve</u>	<u>Net Book Value</u>
Bill of Sale 1	\$23,404	\$12,058	\$11,346
Bill of Sale 2	\$32,982	\$19,126	\$13,856
Bill of Sale 3	\$9,730	\$7,953	\$1,777
Bill of Sale 4	\$5,101	\$3,103	\$1,998
Bill of Sale 5	<u>\$23,403</u>	<u>\$16,217</u>	<u>\$7,186</u>
Total	\$94,619	\$58,457	\$36,163

If you consider the transaction complete after May 31, 2020 the net book value and loss would be less than the above amount. The later the date of approval and execution of the sale (write off of the assets), the lower the amount of net book value that will be written off.

Spire indicated to Staff in a conference call on June 9, 2020 that it would not realize a loss associated with the sale of this property on its books and records, per Uniform System of Accounts (“USOA”) guidelines. USOA guidelines provide specific recording instructions, subject to modification based upon Commission rulings, for reflecting a gain or loss on the utility’s books related to the sale of an operating unit or system.

Subject to the Commission’s approval, Spire proposes to reflect the following journal entries to record the proceeds resulting from this transaction and to record the retirement of the assets on its

books and records upon approval of the Commission of the transfer of the natural gas distribution facilities described above:

To record the receipt of proceeds for cutting and capping of mains:

<i>Debit Cash – Account 131.001</i>	<i>\$93,470</i>	
	<i>Credit Accumulated Depreciation Reserve-Removal Cost Account 108.500</i>	<i>(\$93,470)</i>

To record reimbursement for meter installation work:

<i>Debit Cash – Account 131.001</i>	<i>\$91,734</i>	
	<i>Credit Plant-in-Service - Account 101.000</i>	<i>(\$91,734)</i>

To record the retirement of assets:

<i>Debit Accumulated Depreciation Reserve Account – 108.000</i>	<i>\$94,619.85</i>	
	<i>Credit Plant-in-Service Account – 101.000</i>	<i>(\$94,619.85)</i>

These entries have been proposed by Spire, but there will be no ratemaking determination as part of this transaction in this case. If the Commission approves this transaction, Staff will review all journal entries and propose the appropriate ratemaking treatment for the financial impacts of this transaction as part of Spire Missouri East’s next general rate proceeding.

GAS SUPPLY

Staff also reviewed the potential impacts of this transaction from a gas supply perspective. Recovery of gas supply costs is authorized by Spire’s Purchased Gas Adjustment (PGA) Clause in the Company’s tariffs.

A quote from Spire’s application summarizes a key driver for this transaction:

“Essentially, SLU wants to upgrade from a commercial customer to a transport customer under Spire’s tariff so that SLU may purchase its own gas at wholesale rates.” (Amended Application pages 2 and 3)

In order to achieve this result, SLU and Spire agreed to the transfer of segments of Spire’s distribution system assets so that SLU could aggregate certain load in order for SLU to qualify for transportation service.

Transportation customers typically acquire their interstate pipeline capacity and gas supply through a natural gas marketer. The natural gas marketer then aggregates certain gas supplies and obtains the necessary interstate pipeline transportation capacity.

A traditional sales customer relies on the Company to acquire supplies and transportation capacity. The costs of these supplies and transportation is recovered through the PGA clause, subject to an annual Actual Cost Adjustment review.

Some level of capacity to provide traditional sales service to SLU would have been incorporated into Spire's gas supply/transportation portfolio. At the point of SLU becoming a transportation customer, SLU becomes responsible, often with the assistance of a gas marketer, for its own gas supply and interstate pipeline transportation.

Spire is able to mitigate potential negative impacts from the loss of a PGA sales customer, resulting from a reclassification to a transportation customer, by analyzing its forecasted load and making adjustments in the event the responsibility for supplying sales gas is reduced. Spire can further mitigate the impact of the loss of a PGA sales customer by ensuring it maximizes any capacity release revenues it may acquire when natural gas marketers bid on the Company's temporarily available capacity.

One concern for Staff that arose during the review of this transaction was whether Spire should have allowed SLU to switch to transportation service prior to Commission approval of the transaction.

Staff will continue to monitor PGA-related aspects of this transaction in the relevant Actual Cost Adjustment (ACA) review.

SAFETY ENGINEERING

The Commission's Safety Engineering Department Staff (SED Staff) performed the following review and analysis during this investigation:

- Reviewed the Amended Application, and additional information provided by Spire through data requests;
- Reviewed applicable Commission rules; and
- Reviewed past Commission orders

SED Staff sent data requests to Spire related to the design, installation, operations and maintenance of the assets Spire is requesting to transfer.

Safety Status of Facilities after Asset Transfer

SED Staff met with SLU representatives on January 14, 2020 to observe the facilities to be transferred. Based on Staff's observations, Staff determined that if the Commission approves the asset transfer, SLU will become an operator of a master meter system, subject to safety jurisdiction under the Commissions pipeline safety regulations in 20 CSR 4240-40.020 and 20 CSR 4240-030.

As defined by 20 CSR 4240-40.020(2)(H), a master meter system means a pipeline system for distributing gas within, but not limited to, a definable area, such as a mobile home park, housing project or apartment complex, where the operator purchases metered gas from an outside source for resale through a gas distribution pipeline system. The gas distribution

pipeline system supplies the ultimate consumer who either purchases the gas directly through a meter or by other means, such as by rents.

On May 24, 2020, SED Staff (Staff) mailed the SLU Vice President of Facilities a letter explaining the Commission Pipeline Safety rules that will apply to SLU as an operator of a master meter system in the event the Commission approves the asset transfer. The letter also included the following additional information:

- If the Commission approved the Spire transfer of assets, SLU would be considered the owner of a master meter system, as well as, an “Operator” (as defined by 20 CSR 4240-40.030(1)(B)26. as a person who engages in the transportation of gas).
- If the Commission approved the Spire transfer of assets, the SED Staff would have the responsibility of inspecting SLU’s natural gas system and enforcing the Missouri Public Service Commission’s (MoPSC) pipeline safety rules and SLU would be required to maintain the records necessary to demonstrate compliance with specific requirements of the pipeline safety regulations.
- A summary of the MoPSC plans, programs, procedures, and reporting requirements for a master meter natural gas system, as well as, information on how to access an official copy of the MoPSC pipeline safety regulations.

Applicable Commission rules that apply to Spire’s Gas Assets involved in Transfer

The Commission’s pipeline safety rules in 20 CSR 4240-40.030 prescribe the minimum safety requirements for pipeline facilities and the transportation of gas in Missouri and under the jurisdiction of the Commission. Spire’s natural gas piping and facilities that are involved in the requested transfer of assets to SLU are required to be designed, constructed, operated, maintained, and repaired in accordance with the Commission’s pipeline safety rules in 20 CSR 4240-40.030.

Design and Construction of Gas Pipelines Involved in Spire’s Transfer of Assets

Staff reviewed Spire’s available information from Staff Data Requests for both design and construction considerations pertaining to the gas piping assets involved in the application. Staff confirmed that the pipe materials, design and construction are in conformance with the Commission’s requirements of 20 CSR 4240-40.030(2)-Materials, 20 CSR 4240-40.030(3)-Pipe Design, and 20 CSR 4240-40.030(7)-General Construction Requirements for Mains.

Inspection of Buried Pipeline When Exposed

20 CSR 4240-40.030(9)(F) requires among other things that whenever an operator has knowledge that any portion of a buried metallic pipeline is exposed, an inspection of the exposed portion must be conducted. If the pipe is coated, the condition of the coating must be determined. If the pipe is bare or if the coating is deteriorated, the surface of the pipe must be examined for evidence of external corrosion.

Staff sent Data Request No. 0022, Part b) inquiring about the pipe condition as observed by Spire during inspection of pipe as required by 20 CSR 4240-40.030(9)(F). Spire’s response included

attachment (“dr22 b.pdf”) that contains pipe observation information for exposed portions of both 2-inch and 6-inch steel gas piping under Spire Work Order numbers 19681834 and 13091185, respectively. Spire’s documentation for the inspection of the exposed portion of 2-inch steel piping indicated that the “Coating Condition” was “Good” and documentation for the exposed portion of 6-inch steel piping indicated that the “External Condition” was “Good”.

Based on Spire’s responses, Spire has conducted the required inspections when buried metallic pipe was exposed, and pipe or coating condition was found to be “good” during these inspections.

Atmospheric Corrosion Inspections and Protection of Gas Pipelines Involved in Spire’s Transfer of Assets

20 CSR 4240-40.030(9)(Q)1. requires that each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion at least once every three calendar years but with intervals not exceeding 39 months.

20 CSR 4240-40.030(9)(Q)3. requires that if atmospheric corrosion is found during an inspection, the operator must provide protection against the corrosion within twelve months unless otherwise approved by designated commission personnel.

Staff sent Data Request No. 0036 requesting information related to the two most recent inspections for atmospheric corrosion of facilities and whether any atmospheric corrosion was observed. Based on responses from Spire, the inspections had been conducted as required by 20 CSR 4240-40.030(9)(Q)1., and no atmospheric corrosion was observed during either atmospheric corrosion inspections.

Leaks on Gas Pipelines Involved in Spire’s Transfer of Assets

20 CSR 4240-40.030(13)(M)2.B. requires among other things that the operator shall conduct periodic instrument leakage surveys of both cathodically protected and plastic natural gas pipelines outside of business districts as frequently as necessary at intervals not exceeding 39 months, but at least once each third calendar year.

Staff sent Data Request No. 0027 requesting information related to the two most recent leakage surveys of facilities. Spire’s responses indicated that leaks identified during the 2015 leakage survey have been repaired. During the most recent leakage survey conducted on May 16, 2018, Spire stated that it found no leaks on the gas piping to be transferred.¹

Staff Data Request No. 0029 requested Spire to provide a listing of all known active gas leak(s) that exist on the natural gas piping within Saint Louis University (SLU) that is being considered in this application and to indicate if Spire intends to repair the leak(s) prior to asset transfer. Spire’s response to Staff Data Request No. 0029 stated that there is one active Class 3 leak² at 3550 Lindell and that Spire will repair the leak prior to asset transfer if it is found to be associated with the assets proposed for sale.

¹ Spire responses to Staff Data Request No.0028.1.

² As defined by 20 CSR 4240-40.030(14)(C)3., a Class 3 leak is a leak that does not constitute a hazard to property or to the general public but is of a nature requiring routine actions. These leaks must be repaired within 5 years and be rechecked twice per calendar year, not to exceed 6½ months, until repaired or the facility is replaced.

Locating Means for Plastic Pipelines Involved in Spire's Transfer of Assets

20 CSR 4240-40.030(7)(K)5. requires that among other things plastic pipe that is not encased must have an electrically conductive wire or other means of locating the pipe while it is underground.

Staff Data Request No. 0025, Part A., requested that Spire indicate if tracer wire was installed for each segment of plastic main and service line included in the asset transfer. Spire's response to Staff Data Request No. 0025, Part A., indicated that "...all plastic main and services except 220 N. Grand" have a tracer wire installed for locating purposes.

External Corrosion Control Monitoring of Steel Pipelines Involved in Spire's Transfer of Assets

20 CSR 4240-40.030(9)(I)1. among other things requires that each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of subsection (9)(H).

Additionally, 20 CSR 4240-40.030(9)(I)4. requires that each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring set forth in paragraphs (9)(I)1.-3. Corrective measures must be completed within 6 months unless otherwise approved by designated commission personnel.

Staff Data Request No. 0032, Parts A. and B., asked Spire to describe the type of cathodic protection system that currently exists (Part A) and to provide the results of the two most recently completed annual cathodic protection monitoring results (Part B) for the natural gas piping included in Spire's Application.

Based on its response to Staff Data Request No. 0032, Spire indicated that two (2) cathodic protection deficiencies were observed (3825 West Pine Boulevard and 3545 Lindell Boulevard) during Spire's April 2018 external corrosion control monitoring. Both of these cathodic protection deficiencies were corrected by Spire in a timely manner. During Spire's April 2019 external corrosion control monitoring, no cathodic protection deficiencies were observed.

In its response to Staff Data Request No. 0035, Spire indicated that it was aware of two locations that required repair related to cathodic protection: 3500 Lindell and Lindell & Theresa Power Plant. In its response to Staff Data Request No. 0035.1, Spire stated that it "...will investigate the cause of the low CP read and will either install a new anode, wires, and test box, or remove a short on the CP system to repair the condition."

SED Staff reviewed the records provided by Spire and found nothing that would indicate these assets have not been designed, installed, operated, maintained, and repaired by Spire in accordance with the Commission's pipeline safety rules in 20 CSR 4240-40.030.

CONCLUSION

In both its original and amended applications, Spire states that the transfer of these assets may be considered subject to Commission jurisdiction. Staff maintains that these assets are in fact under the Commission's jurisdiction and that Commission approval should have been obtained prior to

execution of any bill of sale, payment, or execution of a transportation contract. Staff recommends that Spire seek Commission approval of any future regulated-asset transaction, prior to execution of that transaction, as prescribed in the Commission's rules.³

Generally, Staff would have expected that Spire would have required compensation for the net book value of the assets in this case; however, Spire is not recognizing the loss on its regulated books and records and the reduction in property tax is expected to be minimal, making this transaction not detrimental to the public interest pursuant to Section 393.190.1 RSMo. Spire's Amended Application is consistent with 20 CSR 4240-2.060 and 20 CSR 4240-10.105. Staff recommends the Commission approve Spire's request, as described in its Amended Application, to sell natural gas distribution facilities as described above to SLU for a purchase price of approximately \$93,470, subject to the terms and conditions set forth in the Bill of Sale, and with the following conditions:

1. Spire shall repair the Class 3 leak located at 3550 Lindell Boulevard if the leak location is determined to be associated with the Spire assets proposed for sale.
2. Spire shall install a tracer wire or provide other means of locating the plastic service line for 220 N. Grand Boulevard.
3. Spire shall investigate the cause of the deficient cathodic protection at both 3500 Lindell Boulevard and at the Lindell & Theresa Power Plant and take corrective measures to restore cathodic protection.

The transfers of assets benefit Spire, SLU, and Spire's Missouri customers in different ways. SLU benefits from being able to qualify as a transport customer under Spire's tariff, enabling SLU to purchase its own gas at wholesale rates. SLU is also able to purchase portions of Spire's distribution system at a cost less expensive than installing a new system. Spire benefits from the sale because SLU is covering the costs to cut and cap the mains that would have occurred whether SLU purchased the assets or not. This is a cost that Spire would otherwise have had to incur if SLU installed its own system rather than purchasing the assets. Spire also continues to receive a return on and of the transferred assets until its next rate case. Spire's Missouri customers will benefit from having to forego future maintenance and property tax costs related to these assets and the loss on the assets will be recorded below the line.

According to Spire's Amended Application, the distribution charges (revenues received by Spire) under the new arrangement are roughly the same as its current distribution charges. Spire explains in its application that it has taken efforts to make sure that SLU is aware of the responsibilities associated with owning the assets, including discussions with representatives of SLU regarding the maintenance associated with the distribution system, and has shared with SLU the relevant

³ A similar circumstance existed with Spire's (formerly known as Laclede Gas Company) sale of its Forest Park facilities prior to obtaining Commission approval. Please refer to pages 22-24 of the Commission's Report and Order issued in Case No. GR-2017-0215.

Commission safety rules. Again, there will be no ratemaking determination in this docket; but rather in Spire's next general rate proceeding. It is not anticipated that the transfer of the assets will have any material impact on the property tax revenues of the political subdivisions in which the assets are located.

Spire selling these facilities to SLU will have no effect on Spire's provision of service to its other customers. Spire is current on all assessment fees and annual report filings. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Spire)
Missouri Inc. to Transfer Certain Assets)
to Saint Louis University)
File No. GM-2020-0292

**AFFIDAVIT OF PAUL K. AMENTHOR,
GREG A. WILLIAMS, AND DAVID M. SOMMERER**

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COME NOW Paul K. Amenthor, Greg A. Williams and David M. Sommerer and on their oath declare that they are of sound mind and lawful age; that they contributed to the foregoing Memorandum; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further your Affiants sayeth not.

/s/ Paul K. Amenthor
Paul K. Amenthor

/s/ Greg A. Williams
Greg A. Williams

/s/ David M. Sommerer
David M. Sommerer