

**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 REPORT

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its Staff Report states as follows:

1. On April 24, 2019, the Commission issued its *Order Directing Filing And Setting Response Times* (“Order) directing the Staff “...to perform the calculations to determine the amount of pretax revenues related to the replacement of cast iron or bare steel material in Spire Missouri, Inc.’s infrastructure system replacement surcharge (ISRS) request for the period of July 1, 2018, through January 31, 2019. [FN 1 omitted] These calculations shall be made using the same methodology Staff used in the 2018 ISRS cases [FN 2 omitted] to remove the cost of the replacement of ineligible plastic mains and service lines from Spire Missouri’s ISRS cost recovery. [FN 3 omitted].”

2. As directed by the Commission Order, attached hereto and incorporated herein by reference are: *Spire Missouri East ISRS Revenue Requirement Calculation* (Case No. GO-2019-0115) (“Attachment A”), and *Spire Missouri West ISRS Revenue Requirement Calculation* (Case No. GO-2019-0116), (“Attachment B”). The calculations are verified by Staff auditor Kim Bolin.

3. By way of explanation, Staff used the same methodology that was applied in Spire Missouri, Inc.'s previous ISRS Cases (GO-2018-0309 and GO-2018-0310). Staff used the work order authorizations provided to determine the feet of main and service lines replaced and retired by the type of pipe (plastic, cast iron, steel, etc.). Staff then applied the actual individual plastic main and service line percentages to the work order cost to determine the cost of the replacement of plastic pipe. Staff did not remove any amounts for work orders that were associated with relocations required by a governmental authority, encapsulation work orders, angle of repose work orders and regulator replacement work orders.

4. For the blanket work orders Staff used the same calculation that was in Staff's direct filing. Staff included 100% recovery of mandated relocations, replacements due to leak repairs and corrosion inspections and replacement of copper and cast iron pipe. Ineligible items not included in Staff's calculations 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.

5. Staff's revenue requirement calculations include the impact of the *Stipulation and Agreement Regarding Income Taxes* and the *Stipulation and Agreement Regarding Overheads*.

6. In the event the Commission should adopt the re-calculated ISRS revenue requirements as shown in Attachments "A" and "B", Staff will need to update the rate design (tariffed rates by customer class) for both Spire East and Spire West. As part of an updated rate design, Staff would also include the existing ISRS revenues that are currently in ISRS rates.

WHEREFORE, Staff submits its *Report*, with supporting Attachments “A” and “B”, as directed by the Commission.

Respectfully submitted,

/s/ Robert S. Berlin

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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 25th day of April, 2019, to all counsel of record.

s/ Robert S. Berlin

Spire Missouri East
ISRS - Case # GO-2019-0115
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	31,162,930
Deferred Taxes	(200,152)
Accumulated Depreciation	(211,049)
Total Net	30,751,729

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

<u>Work Orders Placed in Service</u>	
Gross Additions	19,751,677
Deferred Taxes	(194,402)
Accumulated Depreciation	(322,646)
Total Net	19,234,629

Gas Utility Plant Projects - Regulator Stations:

<u>Work Orders Placed in Service</u>	
Gross Additions	-
Deferred Taxes	-
Accumulated Depreciation	-
Total Net	-

Gas Utility Plant Projects - Main Relocations net of Reimbursements:

<u>Work Orders Placed in Service</u>	
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	50,786,517
Overall Rate of Return per GR-2017-0215	7.20%
UOI Required	3,655,461
Income Tax Conversion Factor	1.34135
Revenue Requirement Before Interest Deductibility	4,903,253

Tax Gross up @25.4482%	1,247,792
Split 50/50	623,896

Total Revenue Requirement on Capital	4,279,357
Depreciation Expense	972,509
Net Property Taxes	1,539,224
Total ISRS Revenues	6,791,090

**Spire Missouri West
ISRS - Case # GO-2019-0116
ISRS Revenue Requirement Calculation**

**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	34,205,518
Deferred Taxes	(423,326)
Accumulated Depreciation	(229,711)
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Total Net

33,552,481

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

<u>Work Orders Placed in Service</u>	
Gross Additions	5,842,606
Deferred Taxes	(74,286)
Accumulated Depreciation	(81,236)
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Total Net

5,687,084

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 40,987,096

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

UOI Required

2,950,128

Income Tax Conversion 1,34135

Income Tax Before Tax Deductions

3,957,154

Tax Gross Up @25.4482% 1,007,026

Split 50/50

503,513

Total Revenue Requirement on Capital 3,453,641

Depreciation Expense 705,955

Net Property Taxes 2,598,507

Total ISRS Revenues

6,758,103

