

**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-2019-0356**
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-2019-0357**
Replacement Surcharge in its Spire Missouri West)
Service Territory)

STATEMENT OF POSITION OF SPIRE MISSOURI, INC.

COMES NOW Spire Missouri Inc. (“Spire Missouri” or “Company”), on behalf of itself and its two operating units Spire East and Spire West and submits its Statement of Position pursuant to the Missouri Public Service Commission’s September 18, 2019 Order in these cases on the issues identified by the Parties to these proceedings. In support thereof, Spire Missouri states as follows:

- A) Are all costs included in the Company's ISRS filings in these cases eligible for inclusion in the ISRS charges to be approved by the Commission in this proceeding?

Yes, the Company believes that all of the costs included in its ISRS filing are eligible for and should be included in the ISRS charges approved in this proceeding. Specifically, the Company believes that:

a) the full cost of its cast iron and bare steel replacement programs should be recovered because, as this Commission has previously found, such facilities are in a worn out or deteriorated condition and are required to be replaced under the Commission’s safety rules;

b) no amounts should be deducted from these recoverable costs because some plastic

components were replaced or bypassed as part of these replacement programs. The Company believes its method of replacing such cast iron and bare steel facilities pursuant to the ISRS statutes is such that there is no cost associated with the replacement or bypass of plastic components. In addition to the numerous studies provided by the Company in past ISRS cases, the Company has submitted additional studies based on the guidance of Commissioner Hall in the Company's last ISRS cases, which demonstrate that the Company's approach to replacing its facilities using a systematic approach versus patchwork replacement of only facilities that need immediate remedial action results in no incremental cost to replace any plastic components. Therefore, there is no adjustment to be made to the costs of the Company's ISRS projects.

c) The overheads allocated to the Company's ISRS projects should also be fully reflected in the ISRS charges because such amounts have been determined in a manner that appropriately follows the cost allocation and capitalization methods that have been used by the Company for decades to determine such matters. Such long-standing methods and practices have been audited and reviewed in multiple rate case proceedings, have been repeatedly used to determine the Company's cost of service in such proceedings and are consistent with the Company's Commission-approved Cost Allocation Manual. While OPC has raised some generalized concerns regarding the Company's derivation of the overheads allocated to ISRS projects, it has yet to identify a specific component of such overheads that it believes are inappropriate. In addition, given the complexity of this issue and the abbreviated schedule of ISRS cases, the Company believes that the more appropriate place to address the overheads issue is within the context of a rate case.

d) All of the costs included in the Company's filing relating to its replacement of bare

steel mains that did not have cathodic protection applied until decades after they were first placed in service, also qualify for replacement under the ISRS statute and should be included in the Company's ISRS charges. The Commission's gas safety rules promulgated in 1989 required that bare steel mains be replaced or cathodically protected. It is the Company's position that the cathodic protection of these already deteriorated facilities was a means of buying more time – not a permanent solution to the safety issues presented by these facilities. The Company believes that the cathodic protection of these facilities does not preclude the Company from replacing them under the rule and that such replacement is, in fact affirmatively required by both statute and Commission rules.

e) The Company continues to believe that the Commission has the power to consider and include investments not recovered in prior ISRS proceeding and that the specific language of the ISRS statute mandates such consideration by the Commission. The Company recognizes that the Commission determined otherwise in the Company's last ISRS cases, but included such amounts since the Commission's order was not final at the time its filed its ISRS application and to preserve its rights with respect to its recent appeal of this matter.

B) If a Party believes that certain costs are not eligible for inclusion in the ISRS charges to be approved by the Commission in this proceeding, what are those costs and why are they not eligible for inclusion?

See above response.

C) How should income taxes be calculated for purposes of developing the ISRS revenue requirement in these cases?

The Company believes income taxes should be calculated in the manner performed by the Company in its ISRS filing. Staff's attempt to recognize 263A deductions in its calculation of income taxes should be rejected because it is inconsistent with the language of the ISRS statute on how income taxes should be calculated and because it double counts such deductions given the on-going level of deductions that is already being passed through to customers in rates.

WHEREFORE, Spire Missouri Inc., respectfully submits this Statement of Position and requests that the Commission consider and accept it.

Respectfully submitted,

/s/Goldie T. Bockstruck

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing Position Statement was served to all counsel of record on this 1st day of October, 2019 by hand-delivery, fax, electronic or regular mail.

/s/Goldie T. Bockstruck _____

