

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

In the Matter of Spire Missouri Inc.'s)	
Verified Application for Issuance of a)	<u>File No. GO-2020-0416</u>
Depreciation Authority Order Related to)	
Smart Meter Devices)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, pursuant to the *Order Directing Filing* (Order) issued by the Commission on July 27, 2020, and for its *Staff Recommendation*, states as follows:

1. The Commission's Order directed that Staff shall file its recommendation no later than August 27, 2020, regarding Spire Missouri Inc.'s (Spire) verified application seeking a depreciation authority order (DAO) related to its installation of new smart meter devices.

2. Spire requests that the DAO assign new annual depreciation rates for two of its plant accounts used for the depreciation of its new smart meter devices: Account 381.100 - Smart Meters and Account 382.100 - Smart Meters Installation, with each account assigned a 5% depreciation rate based on a 20 year service life with no net salvage value.

3. As discussed in Staff's Memorandum, attached hereto as "Appendix A" and incorporated herein, the proposed 20 year depreciation period for the new smart meters is based on the smart meter battery service life of 20 years.

4. The Commission has authority under Sect. 393.140(4) RSMo to issue a depreciation authority order regarding the proposed depreciation accounts. The granting of the DAO requested by Spire has no impact on current customer rates but merely puts

the Company in a position to request depreciation expense recovery for its new smart meter devices in a future general rate case proceeding.

5. Staff has no objection to Spire's request for waiver of the notice provisions of Commission Rule 20 CSR 4240-4.017(1).

6. Based on Staff's review of Spire's application and the discovery it conducted regarding the planned installation and operation of the new smart meter devices, explained in Staff's Memorandum, Staff recommends the Commission approve Spire's application and issue a DAO as discussed above and set out in Staff's attached Memorandum.

WHEREFORE Staff recommends the Commission issue a Depreciation Authority Order consistent with Spire's verified application allowing the Company to use a:

- 1) 5.0% depreciation rate for Account 381.100 Smart Meters – based on a 20-year service life and no net salvage value; and a,
- 2) 5.0% depreciation rate for Account 382.100 Smart Meter Installations – based on a 20-year service life and no net salvage value.

Respectfully submitted,

/s/ Robert S. Berlin

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Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record this 27th day of August, 2020.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Case File
Case No. GO-2020-0416, Spire Missouri Inc.

FROM: David Buttig, P.E., Engineering Analysis
/s/ Claire Eubanks, P.E./ 8-26-20 /s/ Bob Berlin / 8-26-20
Engineering Analysis / Date Staff Counsel's Office / Date

SUBJECT: Case No. GO-2020-0416, Spire Missouri Inc's Verified Application for Issuance
of a Depreciation Authority Order Related to Smart Meter Devices

DATE: August 26, 2020

SUMMARY:

On June 25, 2020, Spire Missouri Inc. ("Spire Missouri" or "Company") filed an Application with the Missouri Public Service Commission ("Commission") requesting the Commission issue a Depreciation Authority Order (DAO) assigning new annual depreciation rates for two of the Company's plant accounts for the depreciation of the Company's smart meter devices. These new depreciation rates are as follows:

- 1) 5.0% for Account 381.100 Smart Meters – Based on a 20-year service life and no net salvage
- 2) 5.0% for Account 382.100 Smart Meter Installations – Based on a 20-year service life and no net salvage

These accounts currently do not have ordered depreciation rate periods or ordered amortization periods.

RECOMMENDATION:

Staff recommends the Commission issue a DAO including the following:

- 1) 5.0% for Account 381.100 Smart Meters – Based on a 20-year service life and no net salvage
- 2) 5.0% for Account 382.100 Smart Meter Installations – Based on a 20-year service life and no net salvage

Staff's recommendation is in agreement with Spire Missouri's depreciation rate request.

Analysis:

The current accounts that these smart meters would fall into are Account 381 – Meters and Account 397 – Communication Equipment. Spire West has annual depreciation rates for meters and communications equipment of 2.86% (35-year life with no net salvage) and 5.26% (19-year life with no net salvage) respectively. Spire East has annual depreciation rates for meters and communications equipment of 2.37% (38-year life with 10% net salvage) and 5.0% (20-year life with no net salvage) respectively. The new smart meter devices contain operational aspects of both the meters account and the communications account.

In order to properly account for the depreciation of the proposed new meter assets, Spire Missouri has proposed the use of new accounts: Account 381.100 Smart Meters and Account 382.100 Smart Meter Installations. Approval of both accounts would allow the Company to recover its investment in new smart meter devices on a timeline more reasonably associated with the new equipment, separate from the currently used equipment.

In support of its proposed depreciation rate, the Company used the battery life of the smart meter devices as its basis for developing the depreciation rate. According to the manufacturer (Itron), the entire meter package will have a 20-year battery life when using recommended parameters. It is from this 20-year battery life that the accounts were given a 20-year service life.

From the 20-year service life and a 0% net salvage of the smart meters, a 5% depreciation rate for the new accounts was calculated using the following equation:

$$\text{Depreciation Rate} = (100\% - \text{Net Salvage } \%) \div (\text{Average Service Life})$$

$$\text{Depreciation Rate} = (100\% - 0\%) \div (20)$$

$$\text{Depreciation Rate} = 5\%$$

Based on the information provided by Spire Missouri and Staff's analysis, Staff agrees with the establishment of the new accounts and the depreciation rates submitted by the Company.

Conclusion:

Staff recommends the Commission issue a DAO including the following:

- 1) 5.0% for Account 381.100 Smart Meters – Based on a 20-year service life and no net salvage
- 2) 5.0% for Account 382.100 Smart Meter Installations – Based on a 20-year service life and no net salvage

Staff has verified that the Company has filed its annual report and is not delinquent on any assessment.

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AFFIDAVIT OF DAVID T. BUTTIG, PE

STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

COMES NOW David T. Buttig, 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.

/s/ David T. Buttig, PE
David T. Buttig, PE