

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

In the Matter of the Application of Spire)	
Missouri Inc. to Change Its Infrastructure)	<u>Case No. GO-2021-0030</u>
System Replacement Surcharge in Its Spire)	Tariff No. YG-2021-0020
Missouri East Service Territory)	

In the Matter of the Application of Spire)	
Missouri Inc. to Change Its Infrastructure)	<u>Case No. GO-2021-0031</u>
System Replacement Surcharge in Its Spire)	Tariff No. YG-2021-0021
Missouri West Service Territory)	

STAFF’S REVENUE REQUIREMENT CALCULATIONS

COMES NOW the Staff of the Missouri Public Service Commission and in response to the Commission’s October 30, 2020, *Order Directing Staff to File a Calculation of ISRS Revenue Requirements* (“Order”) states as follows:

1. On October 23, 2020 the Staff of the Missouri Public Service Commission, Spire Missouri, Inc., and the Office of the Public Counsel filed a *Unanimous Stipulation and Agreement* (“Stipulation”) resolving all outstanding issues in the above-captioned Spire East and Spire West Infrastructure System Surcharge (“ISRS”) cases. The parties agreed to a revenue requirement of \$5,162,400 for Spire East and \$1,788,274 for Spire West.

2. On October 30, 2020 the Commission issued its Order directing Staff to file, by November 2, 2020, a report explaining the revenue requirement calculations for Spire East and Spire West. In response, Staff offers the following calculations.

3. **Spire East:** In Staff’s recommendation, filed October 2, 2020, Staff made an alternative revenue requirement recommendation consistent with recent cases (excluding plastic facilities and coated steel, but including the cost of cast iron, bare steel and copper facilities) of \$5,001,212. This calculation is attached as Appendix C-2 to

Staff's recommendation and is attached hereto. The Stipulation includes a revenue requirement of \$5,162,400. The difference between the two numbers represents the amount of the tax treatment settlement that is a part of the Stipulation. The difference is largely due to an allowance made for the same treatment of income taxes that the parties agreed to in the stipulation and agreement the Commission approved in Case Nos. GO-2020-0229 and GO-2020-0230.

4. **Spire West:** In Case No. GO-2020-0230 Spire Missouri reached the 10% statutory cap and as a result, Spire Missouri did not seek recovery of ISRS-eligible capital investments in Case No. GO-2021-0031. In its recommendation filed October 2, 2020, Staff recommended a reconciliation amount of \$1,788,274 that represents an under-recovery of the ISRS revenues the Commission previously approved.

5. Staff reiterates its support for the settlement of the issues resolved in the Stipulation and recognizes that each signatory comes to this settlement agreement after extensive negotiations and for its own reasons. For the reasons discussed above, Staff considers the agreed-to revenue requirements to be fair, reasonable, and in the public interest.

WHEREFORE, Staff files this report explaining revenue requirement calculations for the Commission's information and consideration and requests that the Commission approve the Stipulation filed October 23, 2020.

Respectfully submitted,

/s/ Robert S. Berlin

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Attorneys for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 2nd day of November, 2020.

/s/ Karen E. Bretz

**Spire Missouri East
Staff Alternative 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	17,524,095
Deferred Taxes	(152,283)
Accumulated Depreciation	<u>(81,177)</u>
Total Net	<u>17,290,635</u>

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

<u>Work Orders Placed in Service</u>	
Gross Additions	10,703,549
Deferred Taxes	(79,791)
Accumulated Depreciation	<u>(151,767)</u>
Total Net	<u>10,471,991</u>

Gas Utility Plant Projects - Regulator Stations:

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

Gas Utility Plant Projects - Main Relocations net of Reimbursements:

<u>Work Orders Placed in Service</u>	
Gross Additions	1,013,296
Deferred Taxes	(8,869)
Accumulated Depreciation	<u>(6,450)</u>
Total Net	<u>997,977</u>

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	(1,859,630)
Total Incremental Accumulated Deferred Taxes	(1,414,990)

Total ISRS Rate Base	25,485,982
Overall Rate of Return per GR-2017-0215	<u>7.20%</u>
UOI Required	1,834,405
Income Tax Conversion Factor	<u>1.34135</u>
Revenue Requirement on Capital	<u>2,460,579</u>

Total ISRS Rate Base	25,485,982
Weighted Cost of Debt per GR-2017-0215	<u>1.89%</u>
Interest Deduction	481,685
Marginal Income Tax Rate	<u>25.45%</u>
Income Tax Reduction due to Interest	122,580
Income Tax Conversion Factor	<u>1.34135</u>
Revenue Requirement Impact of Interest Deductibility	164,423

263A Transfers Deduction	3,646,088
Service Transfers Deduction	<u>527,343</u>
263A and Service Transfers Tax Deductible Items	4,173,431
Income Tax Factor	<u>25.45%</u>
Income Tax Reduction due to Deductible Items	1,062,063

Total Revenue Requirement on Capital	1,834,405
Depreciation Expense	541,884
Net Property Taxes	(47,812)
ISRS Undercollection	<u>2,672,735</u>

Total ISRS Revenues	<u><u>5,001,212</u></u>
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Missouri West Service Territory)	

AFFIDAVIT OF KAREN LYONS

STATE OF MISSOURI)	
)	ss.
COUNTY OF JACKSON)	

COMES NOW Karen Lyons, and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Staff's Revenue Requirement Calculations*; and that the same is true and correct according to her best knowledge and belief, under penalty of perjury.

Further the Affiant sayeth not.

/s/ Karen Lyons
Karen Lyons