

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

In the Matter of the Application of Spire	)	
Missouri Inc. to Change Its Infrastructure	)	<b><u>Case No. GO-2020-0229</u></b>
System Replacement Surcharge in its Spire	)	Tariff No. YG-2020-0139
Missouri East Service Territory	)	

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission, through counsel, and in response to the Commission’s February 18, 2020 *Order Directing Notice, Setting Intervention Deadline, Directing Filing, and Suspending Tariff Sheets* (“Order”), submits its *Staff Recommendation* to the Commission as set forth in the attached appendices, and in support states as follows:

1. Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and 20 CSR 4240-3.265 authorize gas corporations to recover certain eligible infrastructure replacement costs through an infrastructure system replacement surcharge (“ISRS”). On February 3, 2020, Spire Missouri Inc. (“Spire Missouri”) filed a request for a waiver from the 60 day notice requirement of 20 CSR 4240-4.017 to file an ISRS case for its Spire Missouri East Service Territory (“Spire East”), or in the alternative, notice that it would file an ISRS case within 60 days.

2. On February 3, 2020, Spire Missouri filed its *Verified Application and Petition of Spire Missouri Inc. to Change its Infrastructure System Replacement Surcharge for Its Spire Missouri East Service Territory* (“Application”). Attached to Spire Missouri’s Application is proposed P.S.C. MO. No. 7 Fifth Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 7 Fourth Revised SHEET No. 12, bearing an effective date of March 14, 2020.

3. On February 11, 2020 Staff filed a motion to reject the tariff sheet for failure to comply with 20 CSR 4240-40.085(3) and (4). On February 13, 2020 Spire Missouri filed a corrected application with a new proposed tariff sheet. The ISRS surcharges reflected on Spire Missouri's proposed Sheet 12 equate to an annual revenue requirement of \$10,670,832 and to total annual cumulative revenues of \$23,985,110.

4. On February 18, 2020 the Commission issued this Order suspending the tariff sheet Spire Missouri filed on February 13, 2020 (assigned tariff tracking number YG-2020-0140) until June 2, 2020. In this Order the Commission also ordered Staff to file its recommendation regarding the Application by April 3, 2020. Staff's recommendation is attached hereto as Appendix A, with supporting worksheets labelled as Appendix B, and Appendix C, each of which are incorporated herein by reference.

5. Spire Missouri's Application contains two cost recovery requests. One request is to recover "new" ISRS qualifying infrastructure replacement costs incurred between August 1, 2019 and February 29, 2020 ("New Request"). This New Request is consistent with traditional procedure regarding the time frame of the costs requested for recovery in a typical ISRS recovery filing.

6. The second part of Spire Missouri's recovery request is a second renewal requesting reimbursement of costs incurred between October 1, 2017 and July 31, 2019 ("Old Request") that the Commission denied in Case Nos. GO-2018-0309, GO-2019-0115, and GO-2019-0356. Staff does not include the Old Request in its revenue requirement in this proceeding.

7. Regarding Spire Missouri's New Request for ISRS cost recovery, Auditing Staff examined the Application and supporting work papers, work order

authorizations, accounting entries for a selection of work orders, and a sample of invoices supporting the work order authorizations for the period of August 1, 2019 through July 31, 2019. Staff also communicated with Spire Missouri personnel through email and telephone for clarification of the Application.

8. Consistent with the methodology the Commission adopted in case numbers GO-2018-0309, GO-2019-0115, and GO-2019-0356, Staff separated the cost of ISRS-ineligible plastic from the cost of ISRS-eligible parts of the system, as discussed in the Staff Auditing and Engineering sections of Staff's Memorandum, Appendix A.

9. The Missouri Court of Appeals recent opinion, *In the Matter of the Application of Spire Missouri, Inc. to Change Its Infrastructure System Replacement Surcharge*, 2019 WL 6119755 (Nov 19, 2019), reversed and remanded to the Commission Spire Missouri ISRS Case No.'s GO-2018-0309 and GO-2018-0310. The Court reversed the Commission's Report and Order "...to the extent it allowed ISRS recovery for structures not shown to be worn out or deteriorated." In its Opinion, the Court stated: "There was no evidence with respect to how long it takes cast iron and steel to become worn out or deteriorated. Moreover, the evidence suggested that the time for the deterioration to occur is different from location to location.....Spire seems to believe that it does not need to present evidence that the pipes it replaces are worn out or deteriorated because it considers any pipe subject to a state or federal replacement requirement to be by definition worn out or deteriorated". (See Opinion pages 13-14).

In its review of the instant ISRS petitions, Staff is guided by the Court's Opinion in the reversed and remanded Spire ISRS cases. In the instant case, Staff removed the costs of replacing cast iron, copper, and steel pipe because Spire Missouri did not provide

sufficient evidence that these pipes were in a worn out or deteriorated condition. Staff made this determination because Spire Missouri provided no more compelling evidence in its ISRS petitions now before the Commission than what it had put before the Commission in the reversed and remanded Spire ISRS cases (GO-2018-0309 / GO-2018-0310). That said, Staff will review any additional evidence that Spire may file later in this proceeding that supports the ISRS eligibility and cost recovery for replacement of the pipes and services included in the instant petitions.

Staff points out that Spire bears the burden of proof because Spire filed the applications.<sup>1</sup> The burden of proof is the preponderance of the evidence standard.<sup>2</sup> In order to meet this standard, Spire Missouri must convince the Commission it is more likely than not that its allegations are true.<sup>3</sup>

10. Staff also reviewed Spire Missouri's categorization of ISRS-eligible and ISRS-ineligible tasks associated with blanket work orders, as described in the Staff Auditing section of Staff's Memorandum, Appendix A.

11. Based upon its review and calculations, Staff recommends that Spire Missouri receive incremental pre-tax ISRS revenues for this case of \$2,643,664 with a total current and cumulative ISRS surcharge of \$15,957,944.

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<sup>1</sup> "The burden of proof, meaning the obligation to establish the truth of the claim by preponderance of the evidence rests throughout upon the party asserting the affirmative of the issue." *Clapper v. Lakin*, 343 Mo. 710,723, 123 S.W. 2nd 27, 33 (1938).

<sup>2</sup> *Bonney v. Environmental Engineering, Inc.*, 224 S.W.3d 109,120 (Mo. App. 2007); *State ex rel Amrine v. Roper*, 102 S.W.3d 541, 548 (Mo. banc 2003); *Rodriguez v. Suzuki Motor Corp.*, 936 S.W.2d 104,110 (Mo. banc 1996).

<sup>3</sup> *Holt v. Director of Revenue, State of Missouri*; 3 S.W.3rd 427,430 (Mo. App. 1999); *McNear v. Rhoades*, 992 S.W. 2nd 877, 885 (Mo. App. 1999); *Rodriguez*, 936 S.W. 2nd at 109-111; *Wollen v. Depaul Health Center*, 828 S.W.2nd 681,685 (Mo. banc 1992).

12. Staff developed proposed ISRS rates for Spire Missouri's Spire East based upon on Staff's recommended ISRS revenue requirement for this case described above. Staff's proposed rates are consistent with the methodology used to establish Spire East's past ISRS rates and are consistent with the overall methodology used to establish ISRS rates for other gas utilities. Staff's proposed ISRS rates are contained in Appendix B-1, attached hereto and incorporated by reference herein.

13. The proposed ISRS rates are calculated based on the customer count used in the last Spire East general rate case, case number GR-2017-0216. This method of calculation is authorized under § 393.1015.5.(1), RSMo.

14. Staff also notes that the Spire Missouri is current on its FY 2018 Annual Report and is not delinquent on paying its assessment.

**WHEREFORE**, for the reasons stated above and in Staff's attached Memorandum, incorporated herein as Appendices A, B, and C, Staff recommends the Commission issue an order in this case that:

1. Rejects Spire Missouri's ISRS tariff sheet (tariff number YG-2020-0139) P.S.C. MO. No. 7 Fifth Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 7 Fourth Revised SHEET No. 12, as filed February 13, 2020;

2. Approves Staff's recommended ISRS surcharge revenues in this docket in the incremental pre-tax revenue amount of \$2,643,664 with a total current and cumulative ISRS surcharge of \$15,957,944;

3. Authorizes Spire Missouri to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$15,957,944 annually; and,

4. Authorizes an effective date no earlier than May 25, 2020.

Respectfully submitted,

**/s/ Robert S. Berlin**

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**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 3rd day of April, 2020.

**/s/ Karen E. Bretz**

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. GO-2020-0229, Tariff Tracking No. YG-2020-0139  
Spire Missouri Inc., d/b/a Spire (East)

**FROM:** David M. Sommerer, Manager, Procurement Analysis  
Karen Lyons, Utility Regulatory Auditor, Auditing Department  
Matthew R. Young, Utility Regulatory Auditor, Auditing Department  
Jared Giacone, Utility Regulatory Auditor, Auditing Department  
Jeremy Juliette, Utility Regulatory Auditor, Auditing Department

*/s/ Mark L. Oligschlaeger* 04/03/20      */s/ Robert S. Berlin* 04/03/20  
Financial and Business Analysis/Date      Staff Counsel's Office/Date

**SUBJECT:** Staff Report and Recommendation Regarding Spire East's ISRS  
Tariff Submission

**DATE:** April 3, 2020

### EXECUTIVE SUMMARY

On February 3, 2020, Spire Missouri Inc., d/b/a Spire ("Spire Missouri" or "Company") filed its *Verified Application and Petition of Spire Missouri, Inc. to Change its Infrastructure System Replacement Surcharge for its Spire Missouri East Service Territory* ("Application") with associated workpapers and the Direct Testimony of Timothy H. Goodson. Spire Missouri filed a corrected application on February 13, 2020.<sup>1</sup> In its Application, Spire Missouri requests Commission approval to change the infrastructure system replacement surcharge ("ISRS") for its Spire Missouri East Service Territory ("Spire East"). Spire Missouri's requests includes two components – reimbursement for (1) ISRS-eligible costs incurred between August 1, 2019 and February 29, 2020 and (2) costs incurred between October 1, 2017 and July 31, 2019 that the Commission denied in Case Nos. GO-2018-0309, GO-2019-0115, and GO-2019-0356. The ISRS surcharges Spire Missouri seeks equates to an annual revenue requirement of \$10,670,832.

Consistent with the Commission's orders, Staff did not consider previously-denied costs in calculating Spire Missouri's revenue requirement. Staff recommends that only current projects between August 2019 and February 2020 be considered ISRS-eligible. Additionally, Staff removed the costs of work orders that replaced cast iron, copper, and steel pipe to calculate a recommended revenue requirement of \$2,643,664. Although the Commission has not determined how to proceed after remand, Staff believes this revenue requirement is consistent with the Missouri Court of Appeals' recently decided opinion, *In the Matter of the Application of Spire Missouri Inc. to Change Its Infrastructure System Replacement Surcharge*, dated November 19, 2019.

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<sup>1</sup> Staff understands that the tariff sheets filed with the February 3, 2020 application are "exemplar" tariff sheets. The Commission suspended the tariff sheets accompanying Spire Missouri's February 13, 2020 application.

## INTRODUCTION

Similar to its filing in Case Nos. GO-2019-0115 and GO-2019-0356, Spire Missouri's current filing has two components to its cost recovery request. One request is for recovery of "new" costs for the period between August 1, 2019 and February 29, 2020. These costs can be characterized as costs consistent with traditional, long-standing ISRS practice, because they relate to current, not past, ISRS cases. Neither Staff nor the Commission addressed these costs in past ISRS cases.

The other component is Spire Missouri's renewed request to recover "old" costs from previous time periods addressed in prior proceedings. Specifically, Spire Missouri requests recovery of ISRS costs incurred between October 1, 2017 and July 31, 2019 that the Commission deemed ineligible for recovery in Case Nos. GO-2018-0309, GO-2019-0115, and GO-2019-0356. Staff recommends the Commission reject recovery of old ISRS costs for the same reasons it previously rejected them.

On November 19, 2019 the Missouri Court of Appeals determined that Spire could not recover the costs of replacing cast iron, steel or plastic within an ISRS case without a showing that the pipe was worn out or deteriorated.<sup>2</sup> The Court reversed and remanded the Commission's decision in order to remove the costs of replacing pipe not shown to be worn out or deteriorated. Staff is waiting for guidance from the Commission how to proceed. However, Staff recommends implementing the Court's guidance in this ISRS proceeding.

Spire Missouri requests a revenue requirement of \$10,670,832. This amount includes plastic pipe that was previously disallowed in the October 2017 to July 2019 timeframe \$2,894,536, as well as plastic pipe for the current timeframe of August 2019 through February 2020 (calculated in Spire Missouri's ISRS Model Appendix A)<sup>3</sup>

Staff's proposed revenue requirement is \$2,643,664, as shown in Appendix C-1. Below is a table illustrating each ISRS case's annual revenue requirement and the cumulative revenue requirement under this scenario:

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<sup>2</sup> "While Spire's 'replacement strategy may laudably produce a safer system, the question squarely before us is not whether its chosen approach is prudent but rather whether the replacement of ... components that were not in a worn out or deteriorated condition are ISRS-eligible.' 'In analyzing that proposition, we cannot ignore the plain language of the statute for convenience, expediency[,] or necessity to conclude that the costs are eligible for recovery through the ISRS process.'" *In the Matter of the Application of Spire Missouri Inc. to Change Its Infrastructure System Replacement Surcharge*, 2019 WL 6119755, \*5 (November 19, 2019) (citations omitted). The Missouri Supreme Court denied transfers of these cases March 17, 2020.

<sup>3</sup> Spire Missouri, "Corrected – Verified Application and Petition of Spire Missouri, Inc. to Change its Infrastructure System Replacement Surcharge for its Spire Missouri East Service Territory," Paragraph 8 (February 13, 2020).



<b>Case Number</b>	<b>Case Revenue Requirement</b>	<b>Cummulative Requirement</b>
GO-2020-0229	\$2,643,664	\$15,957,944
GO-2019-0356	\$4,763,180	\$13,314,280
GO-2019-0115	\$5,943,490	\$8,551,100
GO-2018-0309	\$2,607,610	\$2,607,610

Spire Missouri's proposed tariff sheets filed with its corrected February 13, 2020 application bear an effective date of March 14, 2020. Rates should not be made effective earlier than May 25, 2020, due to the limit of no more than two ISRS rate increases in a 12 month period.<sup>4</sup> The effective date for rates in Case No. GO-2019-0115 was May 25, 2019 and in Case No. GO-2019-0356 was November 16, 2019. ISRS rates made effective prior to May 25, 2020 would result in more than two ISRS rate changes in a 12 month period.

Spire Missouri filed its 2018 annual report with the Commission. However, Spire Missouri did not use the number of billing units in this report to calculate rates in this proceeding. Consistent with Section 393.1015.1, RSMo, Spire used the number of billing units from its previous rate case, Case No. GR-2017-0216.

As of the issuance of this memorandum, Spire Missouri is not delinquent on its FY 2019 assessments.

### **AUDITING REVIEW AND REVENUE CALCULATIONS**

Section 393.1015.3, RSMo, states: "A gas corporation may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every twelve months." The Spire East tariffs filed with this Application are suspended until June 2, 2020. In Spire Missouri's last general rate case, Case No. GR-2017-0215, effective April 19, 2018, the ISRS balances were reset to zero. Since then, Spire East's ISRS surcharge changed three times – in Case No. GO-2018-0309, with an effective date of October 8, 2018, in Case No. GO-2019-0115, with an effective date of May 25, 2019, and in Case No. GO-2019-0356, with an effective date of November 16, 2019. Staff asserts Spire Missouri is in compliance with this statute.

Commission Rule 20 CSR 4240-3.265(18), Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges, states:

The commission shall reject an ISRS petition after a commission order in a general rate proceeding unless the ISRS revenues requested in the petition, on an annualized basis, will produce ISRS revenues of at least the lesser of one-half of one percent (1/2%) of the natural gas utility's base revenue level approved by the commission in the natural gas utility's most recent general rate case proceeding or one (1) million dollars, but not in excess of ten

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<sup>4</sup> Section 393.1015.3, RSMo and 20 CSR 4240-3.265(16).

percent (10%) of the subject utility's base revenue level approved by the commission in the utility's most recent general rate proceeding.<sup>5</sup>

Spire Missouri's requested ISRS revenues for Spire East exceed one-half of one percent of the natural gas utility's base revenue level approved by the Commission in the most recent Spire East rate case. Spire Missouri's cumulative ISRS revenues, including the amounts requested in this filing, do not exceed ten percent of the base revenue levels approved by the Commission in the last Spire East rate case, Case No. GR-2017-0215.<sup>6</sup>

In this Application, Spire Missouri filed to recover current qualifying ISRS costs incurred during the period of August 1, 2019, through February 29, 2020. The ISRS recovery requested for January 2020 and February 2020 plant in service additions was included on an estimated basis at the time Spire Missouri filed its Application. Spire Missouri provided Staff with updated workpapers supporting actual ISRS plant addition costs for January on February 20, 2020 and for February on March 18, 2020. The actual ISRS costs for January and February 2020 are incorporated in Staff's recommended ISRS revenue requirement.

As part of its examination of Spire East's application, Auditing Staff reviewed supporting workpapers, work order authorizations, accounting entries for work orders, and a sample of invoices supporting the work order authorizations. Staff also communicated throughout its review with Spire Missouri's personnel through email and telephone for clarification of the Application.

Spire Missouri also seeks recovery of \$2,894,536 of previously disallowed ISRS costs incurred between October 1, 2017 and July 31, 2019 for the replacement of plastic infrastructure.<sup>7</sup> Staff did not include those costs in its current revenue requirement.

Although Spire Missouri seeks inclusion of costs related to the replacement of plastic pipe, it did calculate an alternative ISRS revenue requirement without the previously disallowed plastic pipe costs (calculated in Spire Missouri's ISRS Model Appendix B).<sup>8</sup> Excluding the costs of replacing plastic pipe, using the methodology described below, reduces Spire Missouri's revenue requirement for Spire East to \$6,219,234. In this alternative revenue requirement, Spire Missouri used the same methodology the Commission applied in Case Nos. GO-2018-0309, GO-2019-0115, and GO-2019-0356 (prior Spire East ISRS cases) to calculate the amount of ineligible plastic in the requested ISRS recovery. The feet of plastic main and service lines replaced or retired were divided by the total footage of the pipe replaced or retired to arrive at the percentage of costs associated with plastic to be removed from the ISRS recovery. Staff reviewed all the work orders Spire Missouri provided to confirm the feet of main and service lines replaced and retired by the

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<sup>5</sup> See also Section 393.1012.1, RSMo.

<sup>6</sup> Ten percent of the annualized revenues in Case No. GR-2017-0215 is \$34,414,036.

<sup>7</sup> Spire Missouri, "Corrected – Verified Application and Petition of Spire Missouri, Inc. to Change its Infrastructure System Replacement Surcharge for its Spire Missouri East Service Territory," Paragraph 9 (February 13, 2020).

<sup>8</sup> *Id.* at Paragraph 10.

type of pipe (plastic, cast iron, steel, etc.), and concluded that Spire Missouri’s calculations are consistent with the methodology used in Case Nos. GO-2018-0309, GO-2019-0115, and GO-2019-0356.

Staff also reviewed Spire Missouri’s workpapers concerning “blanket work orders.” Blanket work orders are work orders that cover a large number of tasks and do not close for an extended period of time. Issues arose in Spire Missouri’s previous ISRS filings regarding the eligibility for recovery of costs in blanket work orders. In this proceeding, Spire Missouri categorized each separate task in the blanket work order as either ISRS-eligible or ISRS-ineligible. Spire Missouri then calculated the percentage of eligible versus ineligible tasks and applied the ineligible task percentage to the total blanket work order costs to calculate an amount that are not ISRS eligible. Staff reviewed Spire Missouri’s categorization to determine if each task it considers eligible meets the requirements of ISRS recovery. Tasks considered eligible are mandated relocations, replacements due to leak repairs and corrosion inspections, and replacement of copper and cast iron pipe. Ineligible items include 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. After review of these calculations, Staff accepted the amount of Spire’s adjustment for blanket work orders.

Staff analyzed the blanket work orders to determine how much of Spire Missouri’s request consists of blanket work orders. The results are in the table below. Staff used the current case and the past three ISRS cases for the analysis, as they are the cumulative ISRS filings since Spire Missouri’s last general rate case.

<b>Case Number</b>	<b>Total Blanket Work Order Request</b>	<b>Total Gross ISRS Plant Request (Before Adjustment for Plastic)</b>	<b>Blanket Work Orders as Percentage of Total ISRS Request</b>
GO-2020-0229	\$16,625,587	\$56,267,003	30%
GO-2019-0356	\$14,499,564	\$56,096,742	26%
GO-2019-0115	\$13,514,991	\$55,887,866	24%
GO-2018-0309	\$13,112,854	\$68,353,458	19%

Although the level of detail Spire Missouri provides has improved, Staff is concerned that over the past three ISRS filings applications for Spire East have increased amounts of blanket work orders included in their revenue requests. Spire Missouri is unable to provide Staff with documentation to support the blanket work orders beyond a brief text description of each task charged to the blanket work order. As the ratio of blanket work orders request compared to the total recovery request increases, Staff finds the documentation required for blanket work orders should also increase. Staff recommends that Spire Missouri modify its blanket work order procedure to provide more documentation, or limit the number of projects included in blanket work orders. At this time Staff does not have any proposed disallowances related to blanket work orders. Staff is interested in discussing this issue further with the Company.

Consistent with past ISRS reviews, Auditing Staff verified that the calculation of the ISRS revenue requirement closely reflects the revenue requirement for ISRS-qualifying plant as of the effective date of the ISRS rates, Staff included all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacement costs through May 15, 2020.

Staff took into account in its ISRS revenue requirement calculations tax deductions associated with interest expense, capitalized overheads, and service transfers associated with ISRS plant additions in this period. All of these tax deductions are directly associated with and incremental to the ISRS plant additions in this proceeding. The amounts of these tax deductions associated with installation of ISRS-eligible plant generated enough tax savings to offset current income taxes that would be applicable for recovery under ISRS.

Staff also reviewed whether property taxes associated with ISRS eligible plant projects should be included in ISRS revenue requirement. Commission Rule 20 CSR 4240-3.265(1) requires property taxes be collected due within twelve months of the ISRS filing on the total cost of eligible infrastructure system replacement less any related facility retirements. Spire Missouri reduces the plant values by two percent per year, which reflects a level of accumulated depreciation, and then restates the property tax amount using the most current rate. The incremental difference is then added or subtracted from the current ISRS filing. Staff reviewed Spire Missouri's calculations and is in agreement regarding property taxes for the current ISRS.

Commission Rule 20 CSR 4240-3.265(17) requires a reconciliation of the ISRS revenue Spire Missouri collected from Spire East customers in the prior twelve month period to account for over- or under-collection of previously approved ISRS revenue. Spire Missouri's most recent ISRS case, Case No. GO-2019-0356, contained a reconciliation so an examination of ISRS revenues is not needed in this case.

Spire did not provide sufficient evidence in this proceeding that the pipes it replaced were worn out or deteriorated. To be consistent with the Missouri Court of Appeals recent decision, Staff removed the cost of work orders that replaced cast iron, copper, steel, and plastic pipes to calculate a recommended revenue requirement. The remaining costs that are ISRS eligible are projects required by civic improvements, angle of repose situations, and blanket work orders. After this adjustment, Staff recommends Spire East receive additional ISRS revenues of \$2,643,664 (see attached Appendix C-1). This results in cumulative annual ISRS revenues of \$15,957,944. Staff will review any evidence Spire may provide later in this proceeding which demonstrates that the pipes replaced during this ISRS period were in fact in a worn out or deteriorated condition.

However, if the Commission decides to approve a revenue requirement consistent with recent cases (excluding plastic pipe replacement but including the cost of cast iron, steel, and copper pipe replacements), Staff recommends Spire East receive additional ISRS revenues of \$5,136,356 (Appendix C-2), which results in a cumulative ISRS revenue requirement of \$18,450,636. Appendix B-1 shows the Staff's proposed rate design, excluding plastic, cast iron, and bare steel. Appendix B-2 shows the Staff's proposed rate design, excluding plastic, but including cast iron and bare steel.

### **RECOMMENDATIONS**

Based upon the rationale stated above, Staff recommends the Commission issue an order in this case that:

1. Rejects Spire Missouri's ISRS tariff sheet (YG-2020-0139) P.S.C. MO. No 7 Fifth Revised SHEET No. 12 CANCELLING P.S.C. MO. No 7 Fourth Revised SHEET No. 12, as filed February 13, 2020;
2. Approves the Staff's recommended ISRS surcharge revenues in this docket in the incremental pre-tax revenue amount of \$2,643,664 with a total current and cumulative ISRS surcharge of \$15,957,944;
3. Authorizes Spire Missouri to file an ISRS rate for each customer class as reflected in Staff's Appendix B-1, which generates \$15,957,944; and
4. Authorizes an effective date no earlier than May 25, 2020.

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

In the Matter of the Application of )  
Spire Missouri, Inc. d/b/a Spire to Change ) **Case No. GO-2020-0229**  
its Infrastructure System Replacement ) **Tariff No. YG-2020-0139**  
Surcharge in its Spire Missouri East Service )

**AFFIDAVIT OF DAVID M. SOMMERER, KAREN LYONS,  
MATTHEW R. YOUNG, JARED GIACONE, JEREMY JULIETTE**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COME NOW** David M. Sommerer, Karen Lyons, Matthew R. Young, Jared Giacone, Jeremy Juliette and on their oath declares 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 the Affiants sayeth not.

/s/ David M. Sommerer  
David M. Sommerer

/s/ Karen Lyons  
Karen Lyons

/s/ Matthew R. Young  
Matthew R. Young

/s/ Jared Giacone  
Jared Giacone

/s/ Jeremy Juliette  
Jeremy Juliette

SPIRE MISSOURI INC. -EAST (Without Cast Iron and Bare Steel)  
CASE NO. GO-2020-0229 & YG-2020-0139  
ISRS RATE DESIGN

Staff's Total ISRS Rev Req

**\$15,957,944**

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	604,973	\$22.00	1.0000	604,973	86.0152%	\$1.89	\$13,726,258
SGS (Small Gen. Service	36,743	\$35.00	1.5909	58,455	8.3111%	\$3.01	\$1,326,283
LGS-Large Gen. Service	3,882	\$125.00	5.6818	22,057	3.1360%	\$10.74	\$500,448
LV-Large Volume Service	67	\$914.25	41.5568	2,784	0.3959%	\$78.57	\$63,173
SL-Unmetered Gas Light	84	\$6.00	0.2727	23	0.0033%	\$0.52	\$520
IN-Interruptable	20	\$837.40	38.0636	761	0.1082%	\$71.97	\$17,273
General LP	36	\$17.94	0.8155	29	0.0042%	\$1.54	\$666
Vehicular Fuel	8	\$23.38	1.0627	9	0.0012%	\$2.01	\$193
LVTSS-Large Volume Transport & Sales Service	147	\$2,131.41	96.8823	14,242	2.0249%	\$183.18	\$323,130
<b>TOTAL</b>	<b>645,960</b>			<b>703,333</b>	<b>100.00%</b>		<b>\$15,957,944</b>

\* Due to rounding to the nearest penny, the designed ISRS rates **will under collect by \$394**. However, it should be noted that the total amount collected will be trued-up at a later date.

SPIRE MISSOURI INC. -EAST  
CASE NO. GO-2020-0229 & YG-2020-0139  
ISRS RATE DESIGN Alternative with Cast Iron and Bare Steel

Staff's Total ISRS Rev Req **\$18,450,636**

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	604,973	\$22.00	1.0000	604,973	86.0152%	\$2.19	\$15,870,352
SGS (Small Gen. Service	36,743	\$35.00	1.5909	58,455	8.3111%	\$3.48	\$1,533,453
LGS-Large Gen. Service	3,882	\$125.00	5.6818	22,057	3.1360%	\$12.42	\$578,620
LV-Large Volume Service	67	\$914.25	41.5568	2,784	0.3959%	\$90.85	\$73,041
SL-Unmetered Gas Light	84	\$6.00	0.2727	23	0.0033%	\$0.60	\$601
IN-Interruptable	20	\$837.40	38.0636	761	0.1082%	\$83.21	\$19,971
General LP	36	\$17.94	0.8155	29	0.0042%	\$1.78	\$770
Vehicular Fuel	8	\$23.38	1.0627	9	0.0012%	\$2.32	\$223
LVTSS-Large Volume Transport & Sales Service	147	\$2,131.41	96.8823	14,242	2.0249%	\$211.79	\$373,605
<b>TOTAL</b>	<b>645,960</b>			<b>703,333</b>	<b>100.00%</b>		<b>\$18,450,636</b>

\* Due to rounding to the nearest penny, the designed ISRS rates **will over collect by \$2,439** However, it should be noted that the total amount collected will be trued up at a later date.



**Spire Missouri East  
Staff Recommended ISRS Revenue Requirement Calculation**

**ISRS Activity:**

	Staff Recommendation Update Feb 2020	Spire's Filing Update Feb 2020	Difference
<b><u>Gas Utility Plant Projects - Main Replacements and Other Projects Extending Useful Life of Mains:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	8,267,278	27,007,769	(18,740,491)
Deferred Taxes	(24,678)	(130,999)	106,321
Accumulated Depreciation	(87,193)	(195,431)	108,238
<b>Total Net</b>	<b>8,155,407</b>	<b>26,681,339</b>	<b>(18,525,932)</b>
<b><u>Gas Utility Plant Projects - Service Line Replacements and Insertion Projects:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	12,497,477	16,077,988	(3,580,511)
Deferred Taxes	(63,417)	(84,885)	21,468
Accumulated Depreciation	(218,942)	(265,790)	46,848
<b>Total Net</b>	<b>12,215,118</b>	<b>15,727,313</b>	<b>(3,512,195)</b>
<b><u>Gas Utility Plant Projects - Regulator Stations:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	-	-	-
Deferred Taxes	-	-	-
Accumulated Depreciation	-	-	-
<b>Total Net</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Gas Utility Plant Projects - Main Relocations net of Reimbursements:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	987,110	987,110	0
Deferred Taxes	(5,440)	(5,933)	493
Accumulated Depreciation	(5,563)	(5,563)	-
<b>Total Net</b>	<b>976,107</b>	<b>975,614</b>	<b>493</b>
<b><u>Increase in Accumulated Deferred Income Taxes and Accumulated Depreciation</u></b>			
<b><u>Associated with Eligible Infrastructure System Replacements which are included in a</u></b>			
<b><u>Currently Effective ISRS</u></b>			
Total Incremental Accumulated Depreciation	(1,665,713)	(1,128,237)	(537,476)
Total Incremental Accumulated Deferred Taxes	(1,106,049)	(812,467)	(293,582)
			0
<b>Total ISRS Rate Base</b>	<b>18,574,870</b>	<b>41,443,562</b>	<b>(22,868,692)</b>
<b>Overall Rate of Return per GR-2017-0215</b>	<b>7.20%</b>	<b>7.20%</b>	<b>0.00%</b>
<b>UOI Required</b>	<b>1,336,963</b>	<b>2,982,983</b>	<b>(1,646,020)</b>
<b>Income Tax Conversion Factor</b>	<b>1.34135</b>	<b>1.34135</b>	<b>0.00000</b>
<b>Revenue Requirement on Capital before Interest Deductibility</b>	<b>1,793,335</b>	<b>4,001,225</b>	<b>(2,207,890)</b>
<b>Total ISRS Rate Base</b>	<b>18,574,870</b>	<b>41,443,562</b>	<b>(22,868,692)</b>
<b>Weighted Cost of Debt per GR-2017-0215</b>	<b>1.89%</b>	<b>1.89%</b>	<b>0.00%</b>
<b>Interest Deduction</b>	<b>351,065</b>	<b>783,283</b>	<b>(432,218)</b>
<b>Marginal Income Tax Rate</b>	<b>25.45%</b>	<b>25.45%</b>	<b>0.00%</b>
<b>Income Tax Reduction due to Interest</b>	<b>89,340</b>	<b>199,332</b>	<b>(109,992)</b>
<b>Income Tax Conversion Factor</b>	<b>1.34135</b>	<b>1.34135</b>	<b>0.00000</b>
<b>Revenue Requirement Impact of Interest Deductibility</b>	<b>119,836</b>	<b>-</b>	<b>119,836</b>
<b>263A Transfers Deduction</b>	<b>1,128,858</b>		<b>1,128,858</b>
<b>Service Transfers Deduction</b>	<b>4,593,965</b>		<b>4,593,965</b>
<b>263A and Service Transfers Tax Deductible Items</b>	<b>5,722,823</b>		<b>5,722,823</b>
<b>Income Tax Factor</b>	<b>0.34135</b>		<b>0.34135</b>
<b>Income Tax Reduction due to 263A deductions</b>	<b>1,953,486</b>		<b>1,953,486</b>
<b>Applicable Income Tax</b>		<b>750,868</b>	<b>(750,868)</b>
<b>Total Revenue Requirement on Capital</b>	<b>1,336,963</b>	<b>4,001,225</b>	<b>(2,664,262)</b>
<b>Depreciation Expense</b>	<b>626,953</b>	<b>782,585</b>	<b>(155,632)</b>
<b>Net Property Taxes</b>	<b>679,748</b>	<b>1,435,425</b>	<b>(755,677)</b>
<b>Total ISRS Revenues</b>	<b>2,643,664</b>	<b>6,219,235</b>	<b>(3,575,570)</b>

**Spire Missouri East  
Staff Alternative ISRS Revenue Requirement Calculation**

<u>ISRS Activity:</u>	Staff Recommendation Update Feb 2020	Spire's Filing Update Feb 2020	Difference
<b><u>Gas Utility Plant Projects - Main Replacements and Other Projects Extending Useful Life of Mains:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	27,007,769	27,007,769	-
Deferred Taxes	(119,388)	(130,999)	11,611
Accumulated Depreciation	(195,431)	(195,431)	-
<b>Total Net</b>	<u>26,692,950</u>	<u>26,681,339</u>	<u>11,611</u>
<b><u>Gas Utility Plant Projects - Service Line Replacements and Insertion Projects:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	16,077,988	16,077,988	-
Deferred Taxes	(74,637)	(84,885)	10,248
Accumulated Depreciation	(265,790)	(265,790)	-
<b>Total Net</b>	<u>15,737,561</u>	<u>15,727,313</u>	<u>10,248</u>
<b><u>Gas Utility Plant Projects - Regulator Stations:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	-	-	-
Deferred Taxes	-	-	-
Accumulated Depreciation	-	-	-
<b>Total Net</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Gas Utility Plant Projects - Main Relocations net of Reimbursements:</u></b>			
<u>Work Orders Placed in Service</u>			
Gross Additions	987,110	987,110	0
Deferred Taxes	(5,440)	(5,933)	493
Accumulated Depreciation	(5,563)	(5,563)	-
<b>Total Net</b>	<u>976,107</u>	<u>975,614</u>	<u>493</u>
<b><u>Increase in Accumulated Deferred Income Taxes and Accumulated Depreciation Associated with Eligible Infrastructure System Replacements which are included in a Currently Effective ISRS</u></b>			
Total Incremental Accumulated Depreciation	(1,665,713)	(1,128,237)	(537,476)
Total Incremental Accumulated Deferred Taxes	(1,106,049)	(812,467)	(293,582)
			0
<b>Total ISRS Rate Base</b>	40,634,856	41,443,562	(808,706)
<b>Overall Rate of Return per GR-2017-0215</b>	7.20%	7.20%	0.00%
<b>UOI Required</b>	<u>2,924,775</u>	<u>2,982,983</u>	<u>(58,208)</u>
<b>Income Tax Conversion Factor</b>	<u>1.34135</u>	<u>1.34135</u>	<u>0.00000</u>
<b>Revenue Requirement on Capital</b>	<u>3,923,147</u>	<u>4,001,225</u>	<u>(78,078)</u>
<b>Total ISRS Rate Base</b>	40,634,856	41,443,562	(808,706)
<b>Weighted Cost of Debt per GR-2017-0215</b>	1.89%	1.89%	0.00%
<b>Interest Deduction</b>	767,999	783,283	(15,285)
<b>Marginal Income Tax Rate</b>	25.45%	25.45%	0.00%
<b>Income Tax Reduction due to Interest</b>	195,442	199,332	(3,890)
<b>Income Tax Conversion Factor</b>	<u>1.34135</u>	<u>1.34135</u>	<u>0.00000</u>
<b>Revenue Requirement Impact of Interest Deductibility</b>	262,156	-	262,156
<b>263A Transfers Deduction</b>	2,652,493		2,652,493
<b>Service Transfers Deduction</b>	4,593,965		4,593,965
<b>263A and Service Transfers Tax Deductible Items</b>	<u>7,246,459</u>		<u>7,246,459</u>
<b>Income Tax Factor</b>	<u>0.34135</u>		<u>0.34135</u>
<b>Income Tax Reduction due to Deductible Items</b>	2,473,579		2,473,579
<b>Applicable Income Tax</b>		750,868	(750,868)
<b>Total Revenue Requirement on Capital</b>	2,924,775	4,001,225	(1,076,450)
<b>Depreciation Expense</b>	776,156	782,585	(6,429)
<b>Net Property Taxes</b>	1,435,425	1,435,425	-
<b>Total ISRS Revenues</b>	<u>5,136,356</u>	<u>6,219,235</u>	<u>(1,082,879)</u>