

**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 its)	<u>Case No. GO-2022-0339</u>
Infrastructure System Replacement)	<u>Tariff No. YG-2022-0272</u>
Surcharge in its Spire Missouri East and)	
West Service Territories)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and in response to the Commission’s June 6, 2022, *Order Directing Notice, Setting Intervention Deadline, Directing Filings, Suspending Tariff Sheet and Setting Time for Responses* (“Order”) submits its *Staff Recommendation* to the Commission as set forth in detail in the attached appendices, and in support thereof states as follows:

1. On June 3, 2022, Spire Missouri filed its *Verified Application and Petition of Spire Missouri Inc. to Change its Infrastructure System Replacement Surcharge (“ISRS”) for Its Spire Missouri East and West Service Territories and Request for Waiver from 60 Day Notice Rule* (“Application”). In its Application, Spire Missouri Inc. (“Spire Missouri”) requested a waiver from the 60 day notice requirement of 20 CSR 4240-4.017. Attached to Spire Missouri’s Application is a specimen of testimony, work papers, work order authorizations, accounting entries, and P.S.C. MO. No. 9 Second Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 9 Original SHEET No. 12, bearing no effective date.

2. On June 6, 2022, Spire Missouri filed a Substitute P.S.C. MO. No. 9 Second Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 9 Original SHEET No. 12, with an effective date of July 3, 2022.

3. The ISRS surcharges reflected on Spire Missouri's proposed Sheet 12 equate to incremental annual ISRS revenues for Spire East of \$4,060,811 and Spire West of \$7,846,268, and total annual cumulative revenues of \$11,907,079. The previous ISRS Case No. GO-2022-0171 authorized \$3,140,682 annual ISRS revenues for Spire East and \$5,363,495 for Spire West. That brings the cumulative annual ISRS revenue request to \$7,201,493 for Spire East and \$13,209,763 for Spire West (totaling \$20,411,256 for the combined request).

4. On June 6, 2022, the Commission suspended Spire's tariff until November 29, 2022, the tariff sheet filed by Spire Missouri on June 3, 2022 (marked as Tariff Tracking No. YG-2022-0272).

5. An Application to Intervene by Midwest Energy Consumers Group ("Midwest") was filed on July 5, 2022, and the Commission granted such application on July 18, 2022.

6. Staff's recommendation is attached hereto as Appendix A, with supporting worksheets labelled as Appendices B-1, B-2, C-1, and C-2, each of which are incorporated herein by reference.

7. As discussed in Staff's Memorandum, attached hereto as Appendix A, Auditing Staff and Engineering Analysis examined the Application and supporting direct testimony, work papers, work order authorizations, accounting entries for work orders, and a sample of invoices supporting the work order authorizations. Staff also communicated with Spire Missouri personnel through email and telephone for clarification of the Application.

8. Based on Staff's review, and as shown in Appendices C-1 and C-2, Staff recommends an ISRS revenue requirement for Spire East of \$4,087,972 and Spire West of \$6,393,116. That brings the cumulative annual ISRS revenue to \$7,728,654 for Spire East and \$11,756,611 for Spire West (totaling \$19,485,265 for the combined request). Staff's proposed ISRS rates are contained in Appendices B-1 and B-2, attached hereto and incorporated by reference herein.

9. Staff does not object to Spire Missouri's request for a waiver from the 60 day notice provisions of 20 CSR 4240-4.017(1).

10. Staff also notes that Spire Missouri filed its CY 2021 Annual Report and is not delinquent on its FY 2021 assessments.

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

1. Rejects Spire East's and Spire West's proposed increase in ISRS rates, as filed on June 3, 2022 and assigned Tracking No. YG-2022-0272.

The page being rejected is as follows:

P.S.C. MO. No. 9

Second Revised Sheet No. 12 / Replacing Original Sheet No. 12

2. Approves Staff's proposed substitute ISRS rates as shown in Appendices B-1 and B-2. These rates are based on \$7,728,654 for Spire East and \$11,756,611 for Spire West being the appropriate cumulative revenue requirement for this proceeding plus Staff's use of the most current customer count in calculating

appropriate ISRS rates. Staff's proposed ISRS rates will generate this level of revenue based upon customer levels from the Company's most recent general rate case.

Respectfully submitted,

/s/ J. Scott Stacey

J. Scott Stacey

Senior Staff Counsel

Missouri Bar No. 59027

Attorney for the Staff of the

Missouri Public Service Commission

P.O. Box 360

Jefferson City, MO 65102

573-522-6279

573-751-9285 (Fax)

scott.stacey@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been transmitted by electronic mail to counsel of record this 1st day of September, 2022.

/s/ J. Scott Stacey

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2022-0339, Tariff Tracking No. YG-2022-0272
Spire Missouri Inc., d/b/a Spire

FROM: David M. Sommerer, Regulatory Compliance Manager, Procurement Analysis
Matthew R. Young, Utility Regulatory Audit Supervisor, Auditing
Charles T. Poston, Senior Professional Engineer, Engineering Analysis

/s/ Kimberly K. Bolin 09-01-22 */s/ Scott Stacey* 09-01-22
Financial & Business Analysis/Date Staff Counsel's Office/Date

SUBJECT: Staff Report and Recommendation Regarding Spire's ISRS Tariff
Submission in Order to Re-establish ISRS Rates

DATE: September 1, 2022

EXECUTIVE SUMMARY

On June 3, 2022, Spire Missouri Inc., d/b/a Spire ("Spire Missouri" or "Company" or "Spire"¹) filed its *Verified Application and Petition of Spire Missouri Inc. to change its Infrastructure System Replacement Surcharge for its Spire Missouri East and West Service Territories and Request for Waiver from 60-day Notice Rule* ("Application") along with associated work papers.

In its Application, Spire Missouri requests Commission approval in order to adjust the infrastructure system replacement surcharge ("ISRS") for its Spire Missouri East Service Territory ("Spire East"), and, Spire Missouri West Service Territory ("Spire West"). This was done in order to recover costs incurred for ISRS-eligible replacements made between January 1, 2022 and June 30, 2022 (with pro forma costs for the months of May 2022 and June 2022).

In its Application, Spire indicates its application is made pursuant to the following Statutes and Rules:

¹ This is the second ISRS filing since Spire East & Spire West has merged their two tariffs into one. Prior to these filings, Spire had its own distinct East tariff & distinct West tariff. Spire now has only one tariff, but that sole tariff has unique East & West rates. The East & West designations are viewed as service territories.

COMES NOW Spire Missouri Inc., (“Spire Missouri” or “Company”) by and through counsel and pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and 20 CSR 4240-2.060, 2.080 and 3.265 of the Rules of Practice and Procedure of the Missouri Public Service Commission (“Commission”) and, for its Verified Application and Petition to Change its Infrastructure System Replacement Surcharge (“ISRS”) for its Spire Missouri East (“Spire East”) and Spire Missouri West (“Spire West”) Service Territories and Request for Waiver from the 60 Day Notice Rule ...

Spire also filed the Direct Testimony’s of the following Company witnesses:

- Michelle Antrainer
- Steven Samson

The initial submission also consisted of a transmittal letter and a tariff page with blank issue and effective dates. On June 6, 2022, a substitute tariff was filed to provide a June 3, 2022 issue date and July 3, 2022 effective date.

On June 6, 2022, the Commission suspended Spire’s tariff, until November 29, 2022. In the same Order, the Commission ordered Staff to file its recommendation no later than September 1, 2022.

When the incremental annual ISRS revenues for Spire East and Spire West are added together, a total of \$11,907,079 annual ISRS revenues is derived. The territorial breakdown is as follows:

The revenue calculations in Appendices A and B produce incremental annual ISRS revenues for Spire East of \$4,060,811, and Spire West of \$7,846,268, respectively.²

The previous ISRS Case No. GO-2022-0171 authorized \$3,140,682 annual ISRS revenues for Spire East and \$5,363,495 for Spire West. That brings the cumulative annual ISRS revenue request to \$7,201,493 for Spire East and \$13,209,763 for Spire West (totaling \$20,411,256 for the combined request)

Staff is recommending the following ISRS revenues:

² Application, Page 4.

Territory	Commission Order GO-2022-0171 ISRS	Staff's Recommended GO-2022-0339	Staff's Cumulative Recommendation
EAST	\$3,140,682	\$4,087,972	\$7,228,654
WEST	\$5,363,495	\$6,393,116	\$11,756,611

Staff reviewed the ISRS rates that Spire filed in the initial application. In its place, Staff proposes different ISRS rates based on Staff's analysis and revisions.

INTRODUCTION

This ISRS filing is Spire's second ISRS application filed under "new legislation" (House Bill No. 2120 – effective August 28, 2020). This new legislation amended Sections 393.1009, 393.1012, 393.1015, RSMo and has a documented procedure for the establishment and continuation of contractors being able to bid on ISRS projects that a utility decides to "outsource" to third party entities – ("bidders"), as opposed to the utility's internal staff undertaking the project³. There are three filing requirements to be in compliance, which are set forth in the following:

REQUIREMENT #1

The filing (with the Commission) of a pre-qualification of parties seeking to be future bidders:

"4. In order for a gas corporation to file a petition with the commission to establish or change an ISRS, such corporation shall, by July 1, 2021, develop and file with the commission a pre-qualification process for contractors seeking to participate in competitive bidding to install ISRS-eligible gas utility plant projects." pursuant to 393.1012.4, RSMo.

On May 11, 2021, the Commission noted that Spire in Case No. GO-2021-0382 filed its notice of pre-qualification process for contractors seeking to participate in competitive bidding to install ISRS-eligible gas utility plan projects on April 29, 2021, as required by Section 393.1012.4 RSMo. The Commission noted that it did not need to take any action on that plan and closed the file.

REQUIREMENT #2

The filing of a verified statement:

³ Internal ISRS projects are not factored into "external" ISRS projects subject to the bidding process.

The gas corporation shall file, by January 1, 2022, a verified statement with the commission confirming that it has in place a pre-qualification process for the competitive bidding of ISRS-eligible gas utility plant projects, and that such process conforms to the requirements of this section. The commission shall have the authority to verify the statement to ensure compliance with this section.⁴

On October 8, 2021, Spire filed this document in Case No. GO-2021-0382.

REQUIREMENT #3

The filing of a confirmation statement:

After January 1, 2022, the gas corporation shall submit with each petition filing to establish or change an ISRS a verified statement confirming that it is using a competitive bidding process for no less than twenty five percent of the combined external installation expenditures made by the gas corporation's operating units in Missouri for installing ISRS-eligible gas utility plant projects, and that such process conforms with the requirements set forth in this section. The commission shall have the authority to verify the statement to ensure compliance with this section.⁵

Spire filed this ISRS application on June 3, 2022. The above referenced verified statement from Steven Samson was included as the last page of the Company's June 3, 2022 petition.

The Customer Count

Section 393.1015 RSMo. allows for the following exception for the customer "count" used to determine ISRS rates.

5. (1) The monthly ISRS charge may be calculated based on a reasonable estimate of billing units in the period in which the charge will be in effect, **which shall be** conclusively established by dividing the appropriate pretax revenues by **the customer numbers reported by the gas corporation in the annual report it most recently filed with the commission** pursuant to subdivision (6) of section 393.140, and then further dividing this quotient by twelve. **Provided, however, that the monthly ISRS may vary according to customer class and may be calculated based on customer numbers as determined during the most recent general rate proceeding of the gas corporation so long**

4 Section 393.1012 (4) RSMo.

5 Section 393.1012 (4) RSMo.

as the monthly ISRS for each customer class maintains a proportional relationship equivalent to the proportional relationship of the monthly customer charge for each customer class.
[Emphasis added.]

Spire used the customer count from its most recent general rate proceeding, Case No. GR-2021-0108. The Staff agrees with this methodology for this case.

As of the issuance of this memorandum, Spire Missouri is not delinquent on its FY 2021 assessments and Spire Missouri has filed its 2021 annual report with the Commission.

Staff has no objection to Spire Missouri Inc.'s Request for Waiver of the 60 day Notice Provisions of Commission Rule 20 CSR 4240-4.017(1).

AUDITING REVIEW AND REVENUE CALCULATIONS

Staff recommends an ISRS revenue requirement for Spire East of \$4,087,972 and Spire West of \$6,393,116.

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.”

Because this filing is the first ISRS filing since the last general Spire rate case, Staff asserts Spire Missouri’s filing complies with Section 393.1015.3, RSMo.

Section 393.1012.1, RSMo, states:

The commission may not approve an ISRS to the extent it would produce total annualized ISRS revenues below the lesser of one million dollars or one-half of one percent of the gas corporation's base revenue level approved by the commission in the gas corporation's most recent general rate proceeding. The commission may not approve an ISRS to the extent it would produce total annualized ISRS revenues exceeding ten percent of the gas corporation's base revenue level approved by the commission in the gas corporation's most recent general rate proceeding.

Spire Missouri’s requested ISRS revenues for Spire Missouri exceed one-half of one percent of the natural gas utility’s base revenue level the Commission approved in the most recent Spire Missouri rate case, Case No. GR-2021-0108. Spire Missouri’s 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 Missouri rate case.

In this Application, Spire Missouri filed to recover current qualifying ISRS costs incurred during the period of January 1, 2022 through June 30, 2022. The ISRS recovery requested for May and June 2022 plant in service additions were 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 through June on July 29, 2022. The actual ISRS costs through June 2022 are incorporated in Staff's recommended ISRS revenue requirement.

As part of its examination of Spire Missouri'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 communicated throughout its review with Spire Missouri's personnel through email and telephone for clarification of the Application.

Blanket Work Orders

Staff 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. Spire Missouri categorized tasks in the blanket work orders 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 the dollar amount that is not ISRS-eligible. At this time Staff does not propose any disallowances related to blanket work orders.

Taxes and Depreciation

Consistent with past ISRS reviews, Auditing Staff verified that the calculation of the ISRS revenue requirement for ISRS-qualifying plant reflects the net book cost at the latest whole month prior to the effective date of the ISRS rates. Staff included all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacement costs through November 2022, which is the most recent full month prior to the effective date of rates in this case.

Staff included in its ISRS revenue requirement calculations tax deductions associated with interest expense and capitalized overheads (263a deductions) 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 for Spire East. Staff included an amount of current income taxes net of these adjustments for Spire West.

Capitalized Overheads

In Spire's prior rate case, the Commission issued a series of Orders requiring, "Spire Missouri to cease recovery of capitalized non-operational overhead costs in plant, going forward, until Spire Missouri's compliance with the USOA is shown."⁶ Once Spire has shown compliance, the Commission allowed for changes to Spire's overhead allocations to be prospectively implemented in future ISRS filings or Spire Missouri's subsequent rate case. The Commission stated that showing USOA compliance prior to recognizing non-operational overheads in an ISRS case, "...will prevent inclusion of non-operational overhead costs that are ultimately determined to be inappropriate from being included in plant additions recovered through ISRS cases before the resolution of this issue in Spire Missouri's next rate case."⁷ In response to the Commission's Orders, Spire Missouri initiated internal and external studies of its capitalized overheads. For Staff's findings and recommendations on Spire Missouri's capitalized overhead analyses, see Staff Report filed on March 18, 2022 in Case No. GR-2021-0108 (EFIS Item No. 464).

Between January 1, 2022 and June 30, 2022, Spire Missouri incurred overhead costs that are associated with construction but deferred into a regulatory asset per the Commission's guidance. Staff concludes that the Commission has allowed for overheads that are related to ISRS projects to be included in the ISRS rate base once Spire Missouri has shown its compliance with the USOA. In Case No. GR-2021-0108, Staff filed its report on overhead capitalization, which was subsequently generally agreed to by Spire Missouri. To implement

⁶ *Amended Report and Order*, Page 82. Case No. GR-2021-0108.

⁷ *Id.*

the Commission's guidance in the current ISRS proceeding, an amount was added to Spire Missouri's current ISRS investments to reflect the capital overhead costs associated with the ISRS plant.

ENGINEERING ANALYSIS REVIEW

The legacy Spire distribution system that is being replaced contains a combination of cast iron, steel, and plastic pipes that have been repaired and added onto for more than one hundred years. As a result, within the scope of any particular main replacement project, multiple pipe material types of diverse vintages can be encountered. When such projects are identified, Spire must decide how to most cost effectively install its new distribution mains. That planning process considers, on a case-by-case basis, the relative cost of reusing or abandoning certain parts of the existing system. When necessary, Spire performs analyses to find the incremental cost of reusing existing facilities versus abandoning those existing facilities and installing all new pipe. The purpose of examining those two different construction scenarios is to attempt to quantify which approach (reuse or abandonment) would result in a lower total construction cost.

Staff has examined similar analyses in prior ISRS applications from Spire and has observed that it is almost always more cost effective to abandon short sections of interspersed plastic or steel pipe from the legacy distribution system than to attempt to reuse them. Reuse often would require additional excavation, street repairs, and potentially longer construction timelines. The benefits of reusing existing short sections of pipe is small due to the low material costs of pipe and the high costs of the equipment, time, and labor needed to tie into them.

A common scenario observed by Staff is one in which a new distribution main is being installed on the opposite side of the street from the existing main. The existing main may contain short sections of plastic pipe interspersed with sections of cast iron pipe. Reuse of the existing plastic pipe in the new distribution system would mean spending thousands of dollars in time and materials in order to reuse tens or hundreds of dollars' worth of plastic pipe.

Staff recognizes that every construction site is different and poses unique challenges. To address that, Spire has provided incremental cost analyses for each of the ISRS eligible projects that contain interspersed plastic pipe or other facilities. The incremental cost analyses include

maps that overlay the two construction scenarios that were considered by Spire: reuse or abandonment of existing facilities. The construction costs for the two scenarios were estimated by Spire using the same material and labor costs in order to provide an “apples-to-apples” comparison. In the event that the construction plan chosen by Spire to execute is the more expensive of the two scenarios, the cost difference between the two plans is subtracted from the ISRS application and is labeled as an “incremental cost.” In that way, Spire still performs the construction in the way that it prefers, but the costs from choosing the more expensive option are offset in order to limit impacts to customers.

CONTRACTOR PRE-QUALIFICATION

As noted in the introduction above, the changes to 393.1012, RSMo introduced in 2020 included new requirements for any gas corporation seeking to establish or change an ISRS to create a pre-qualification process for outside contractors who want to participate in competitive bidding for ISRS-eligible projects. In addition to the requirements placed on gas corporations, H.B. 2120 also included a new requirement for the Commission. 393.1015, RSMo states that,

By December 31, 2023, and annually thereafter, the commission shall submit a report to the general assembly on the effects of subsection 4 of this section, including gas corporation compliance, potential legislative action regarding subsection 4 of this section, the costs of installing ISRS-eligible gas utility plant projects prior to the implementation of subsection 4 of this section compared to after the implementation of subsection 4 of this section, and any other information regarding the processes established under subsection 4 of this section that the commission deems necessary.

Staff anticipates that Spire will continue to administer its contractor pre-qualification process as required by 393.1012, RSMo. In mid-to-late 2023, Staff intends to submit data requests to Spire to gather information to verify continuing compliance with the statute and to collect all necessary data that would be required to make conclusions about its effects.

RECOMMENDATION

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

1. Rejects Spire East's and Spire West's proposed increase in ISRS rates, as filed on June 3, 2022 and assigned Tracking No. YG-2022-0272.

The page being rejected is as follows:

P.S.C. MO. No. 9

Second Revised Sheet No. 12 / Replacing First Revised Sheet No. 12

2. Approves Staff's proposed substitute ISRS rates as shown in Appendices B-1 and B-2. These rates are based on \$7,728,654 for Spire East and \$11,756,611 for Spire West being the appropriate cumulative revenue requirement for this proceeding plus Staff's use of the most current customer count from Case No. GR-2021-0108 in calculating appropriate ISRS rates. Staff's proposed ISRS rates will generate this level of revenue based upon customer levels from the Company's most recent general rate case.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

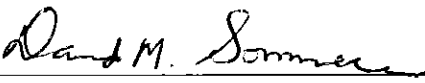
In the Matter of the Application of Spire)
Missouri, Inc. d/b/a Spire to Change its) File No. GO-2022-0339
Infrastructure System Replacement) Tariff No. YG-2022-0272
Surcharged in its Spire Missouri East and)
West Service Territories)

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW David M. Sommerer, 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.

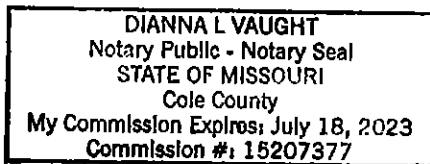
Further the Affiant sayeth not.

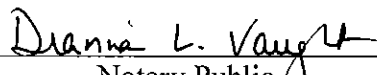


David M. Sommerer

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29th day of August, 2022.





Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

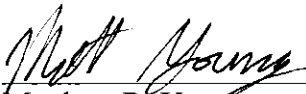
In the Matter of the Application of Spire)
Missouri, Inc. d/b/a Spire to Change its) File No. GO-2022-0339
Infrastructure System Replacement) Tariff No. YG-2022-0272
Surcharged in its Spire Missouri East and)
West Service Territories)

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Matthew R. Young, 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.

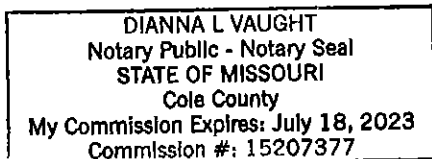
Further the Affiant sayeth not.

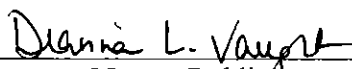


Matthew R. Young

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29th day of August, 2022.





Notary Public

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 its) File No. GO-2022-0339
Infrastructure System Replacement) Tariff No. YG-2022-0272
Surcharged in its Spire Missouri East and)
West Service Territories)

AFFIDAVIT OF CHARLES T. POSTON, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW Charles T. Poston, 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.

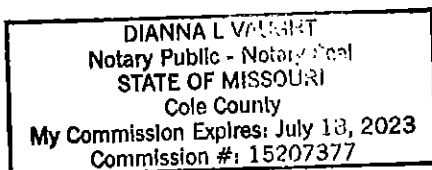
Further the Affiant sayeth not.

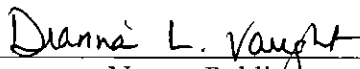


Charles T. Poston, PE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 29th day of August, 2022.





Notary Public

**SPIRE MISSOURI INC. - EAST
CASE NO. GO-2022-0339
ISRS RATE DESIGN**

REV. REQ. \$7,228,654

Staff's Total ISRS Rev Req

<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	617,236	\$22.00	1.0000	617,236	84.8110%	\$0.83	\$6,130,694
SGS (Small Gen. Service)	35,106	\$37.31	1.6959	59,537	8.1806%	\$1.40	\$591,347
LGS-Large Gen. Service	5,616	\$133.25	6.0568	34,015	4.6738%	\$5.01	\$337,855
LV-Large Volume Service	39	\$974.62	44.3009	1,728	0.2374%	\$36.67	\$17,161
SL-Unmetered Gas Light	72	\$6.40	0.2909	21	0.0029%	\$0.24	\$208
General LP	36	\$19.12	0.8691	31	0.0043%	\$0.72	\$311
Large Volume Transport	157	\$2,131.41	96.8823	15,211	2.0900%	\$80.19	\$151,078
TOTAL	658,262			727,778	100.00%		\$7,228,654

Due to rounding to the nearest penny, the designed ISRS rates **will over-collect by \$1266**. However, it should be noted that the total amount collected will be trued-up at a later date.

SPIRE MISSOURI INC. -WEST
CASE NO. GO-2022-0339
ISRS Rate Design

Staff's Total ISRS Rev Req \$11,756,611

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>		<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	493,298	\$20.00	1.0000	493,298	81.2504%	\$1.61	\$9,552,290
SGS (Small Gen. Service)	29,393	\$37.20	1.8600	54,671	9.0048%	\$3.00	\$1,058,656
LGS-Large Gen. Service	3,845	\$161.39	8.0695	31,027	5.1104%	\$13.02	\$600,815
LV-Large Volume Service	14	\$1,357.95	67.8975	951	0.1566%	\$109.56	\$18,407
LGS Transport	225	\$180.80	9.0400	2,034	0.3350%	\$14.59	\$39,387
LV Transport	439	\$1,145.90	57.2950	25,153	4.1428%	\$92.46	\$487,057
TOTAL	527,214			607,133	100.00%		\$11,756,611

Due to rounding to the nearest penny, the designed ISRS rates **will under-collect by \$1,860** However, it should be noted that the total amount collected will be trued-up at a later date .

Note: Intrastate Transportation Service (ITS) ISRS rate is same as LV Transport

**Spire Missouri East
 ISRS - Case # GO-2022-0339
 ISRS Revenue Requirement Calculation
 Appendix C1**

**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	14,305,540
Deferred Taxes	(127,313)
Accumulated Depreciation	(103,002)

Total Net 14,075,225

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

<u>Work Orders Placed in Service</u>	
Gross Additions	21,128,965
Deferred Taxes	(139,890)
Accumulated Depreciation	(354,096)

Total Net 20,634,979

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	1,670,586
Deferred Taxes	(14,919)
Accumulated Depreciation	(11,813)

Total Net 1,643,854

Gas Utility Plant Projects - Overhead Adjustment ISRS Eligible Projects:

<u>Work Orders Placed in Service</u>	
Gross Additions	1,446,304
Deferred Taxes	(15,354)
Accumulated Depreciation	-

Total Net 1,430,950

Total Gross Additions	38,551,395
Total Deferred Taxes	(297,476)
Total Accumulated Depreciation	(468,911)

Total Net Current Plant Projects **37,785,008**

**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	(565,604)
Total Incremental Accumulated Deferred Taxes	(34,398)

Total ISRS Rate Base 37,185,006

Overall Rate of Return per GR-2021-0108	6.37%
UOI Required	2,369,020
Income Tax Conversion Factor	1.31305
Revenue Requirement on Capital	3,110,642
Depreciation Expense	855,048
Net Property Taxes	863,904
Net Income Taxes	-
ISRS Undercollection	
Total ISRS Revenues	4,087,972
Total ISRS Rate Base	37,185,006
Weighted Cost of Debt per GR-2021-0108	1.699%
Interest Deduction	631,773
Marginal Income Tax Rate	23.84%
Income Tax Reduction due to Interest	150,615
Income Tax Conversion Factor	1.31305
Revenue Requirement Impact of Interest Deductibility	197,765
263A Transfers Deduction	3,892,483
Service Transfers Deduction	
263A and Service Transfers Tax Deductible Items	3,892,483
Income Tax Factor	23.84%
Income Tax Reduction due to Deductibility Items	927,968
Income Tax Conversion Factor	1.31305
Revenue Requirement Impact of 263A Deductibility	1,218,468
Calculated Income Taxes	741,622
Interest Tax Deduction	(197,765)
263A Deduction	(1,218,468)
Net Income Taxes	(674,611)

**Spire Missouri West
 ISRS - Case # GO-2022-0339
 ISRS Revenue Requirement Calculation
 Appendix C2**

**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	48,270,101
Deferred Taxes	(483,444)
Accumulated Depreciation	(365,852)
Total Net	47,420,805

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

<u>Work Orders Placed in Service</u>	
Gross Additions	3,273,752
Deferred Taxes	(21,847)
Accumulated Depreciation	(65,598)
Total Net	3,186,307

Gas Utility Plant Projects - Regulator Stations:

<u>Work Orders Placed in Service</u>	
Gross Additions	169,687
Deferred Taxes	(1,383)
Accumulated Depreciation	(2,348)
Total Net	165,956

Gas Utility Plant Projects - Main Relocations net of Reimbursements:

<u>Work Orders Placed in Service</u>	
Gross Additions	3,028,059
Deferred Taxes	(10,431)
Accumulated Depreciation	(26,369)
Total Net	2,991,259

Gas Utility Plant Projects - Overhead Adjustment ISRS Eligible Projects:

<u>Work Orders Placed in Service</u>	
Gross Additions	543,117
Deferred Taxes	(6,219)
Accumulated Depreciation	-
Total Net	536,898

Total Gross Additions	55,284,716
Total Deferred Taxes	(523,324)
Total Accumulated Depreciation	(460,167)

Total Net Current Plant Projects	54,301,225
---	-------------------

**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	(614,841)
Total Incremental Accumulated Deferred Taxes	(153,270)

Total ISRS Rate Base	53,533,114
Overall Rate of Return per GR-2021-0108	6.37%
UOI Required	3,410,541

Income Tax Conversion	1.31303
Revenue Requirement on Capital	<u>4,478,143</u>
Depreciation Expense	1,040,062
Net Property Taxes	1,684,305
Net Income Taxes	258,208
Total ISRS Revenues	<u>6,393,116</u>

Total ISRS Rate Base	53,533,114
Weighted Cost of Debt per GR-2021-0108	1.699%
Interest Deduction	<u>909,528</u>
Marginal Income Tax Rate	23.84%
Income Tax Reduction due to Interest	<u>216,831</u>
Income Tax Conversion Factor	1.31303
Revenue Requirement Impact of Interest Deductibility	<u>284,706</u>

263A Transfers Deduction	1,676,177
Service Transfers Deduction	
263A and Service Transfers Tax Deductible Items	<u>1,676,177</u>
Income Tax Factor	23.84%
Income Tax Reduction due to Deductibility Items	<u>399,601</u>
Income Tax Conversion Factor	1.31303
Revenue Requirement Impact of 263A Deductibility	<u>524,688</u>
Total Staff Expected ISRS Revenues	<u>524,688</u>

Calculated Income Taxes	1,067,602
Interest Tax Deduction	(284,706)
263A Deduction	(524,688)
Net Income Taxes	258,208