

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GA-2023-0374, Spire Missouri, Inc.

FROM: Nathan Bailey, Utility Regulatory Auditor, Auditing Department,
Financial and Business Analysis Division
Jared Giacone, Lead Senior Utility Regulatory Auditor, Auditing Department,
Financial and Business Analysis Division
Francisco Del Pozo, Economist, Tariff/Rate Design Department,
Industry Analysis Division
Seoung Joun Won, PhD., Regulatory Compliance Manager,
Financial Analysis Department, Financial and Business Analysis Division

/s/ David T. Buttig, PE / 08-14-2023
Senior Professional Engineer,
Procurement Analysis Dept.
Financial and Business Analysis Div. / Date

/s/ Ron Irving / 08-14-2023
Staff Counsel's Office / Date

SUBJECT: Staff Recommendation for Approval of CCN Application with Conditions

DATE: August 14, 2023

Overview

On April 27, 2023, Spire Missouri, Inc. (“Spire” or the “Company”), filed its Application (“Application”) with the Missouri Public Service Commission (“Commission”) for permission and approval and a certificate of public convenience and necessity (“CCN”) to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide gas service in Johnson County, Missouri, as a further expansion of its existing certificated area. Spire seeks a waiver from Commission Rule 20 CSR 4240.4.017(1) that provides notice to the secretary of the Commission a minimum of sixty (60) days prior to filing a case.

On April 28, 2023, the Commission issued its Order directing notice, setting deadline for intervention request and directing filing of Staff Recommendation. The application to intervene was set for no later than May 30, 2023. No parties intervened. The Commission directed Staff to file a Recommendation regarding Spire’s Application no later than June 12, 2023 or a request for an extension of time.

On June 7, 2023, Staff filed a motion for extension of time to file its recommendation in order to receive and review outstanding data request responses. Staff filed these data requests to help its review, provide feedback, and continue discussions with Spire. Staff requested the

Commission allow Staff a 30-day extension to July 12, 2023 to file its recommendation. On June 20, 2023, the Commission issued its Order Granting Extension of Time to File Staff Recommendation by July 12, 2023. On July 10, 2023, Staff filed a Motion for Additional Extension of Time to File Staff Recommendation and on July 14, 2023, the Commission granted the extension extending Staff's filing deadline to August 14, 2023.

Discussion

Spire's Application states that it seeks a CCN to extend its existing certificated area in Johnson County to Section 16, Township 46 North Range 25 West of Johnson County, Missouri ("Section 16"). A commercial customer within the requested section contacted Spire with a need for a distribution system extension to provide natural gas service for space heating¹.

In Staff Data Request No. 0002 Staff asked if Spire had contacted any other natural gas providers to determine whether they had assets in or near the proposed certificated area and also to provide a map showing where Spire believed the next closest natural gas provider(s) assets were located within all directions of the proposed certificated area. Spire's response was that they had not contacted any other natural gas providers to determine whether they had assets in or near the proposed certificated area but Spire reviewed Liberty Utilities' tariff, Sheet No.4, Authorized Service Territory Gas, and did not find T46N R25W S16 listed. The response continued by referring Staff to a map of Missouri Natural Gas Pipelines from the Commission website and more specifically to refer to Johnson County on that map and notice that Spire Missouri is the only utility in and around the City of Warrensburg. The closest utility to the south and east is Empire District d/b/a Liberty.

Based on Spire's response to Staff's Data Request No. 0010, ** [REDACTED]

[REDACTED]

[REDACTED] ** Based on Spire's project specifications shown in response to Staff Data Request No. 0006, ** [REDACTED]

¹ Staff Data Request No. 0008.

██████████. ** Spire submitted Appendix 4 as part of its Application, which identifies the total investment it made in order to provide natural gas service to the new customer was ** ██████████ **. Spire has not identified additional potential customers that could also benefit from the installed infrastructure.

Spire placed the infrastructure described above in-service ** ██████████ ** which is prior to Spire obtaining a CCN from the Commission to operate in the specified area. Staff verified² that the revenue requirement impacts associated with the connection of the new customer are embedded in Spire's current tariffed rates, as approved in rate case No. GR-2022-0179. Using the amounts in Spire's feasibility study³ (which Spire represents as actual costs and revenues), Staff estimates the inclusion of this project in rates had an immaterial effect on the revenue requirement.

Staff submitted several data requests seeking information on customer contributions or deposits that were required in order for Spire to extend service to the customer. Spire's response to Staff Data Request No. 0007, which sought documentation for any Contributions In Aid of Construction ("CIAC"), was, "There were no contributions in aid of construction (CIAC) or advances received from non-company parties including, but not limited to meters or regulators. Therefore, no contributions or advances are eligible for refund." Spire's response to Staff Data Request No. 0020, which sought information on any customer deposits or financing arrangements to cover costs of extending service to the customer was, "1. No deposit was collected from the customer. 2. No financing arrangement was provided to the customer."

Staff discovered a publicly available Missouri Gas Energy ("MGE")/Laclede Gas⁴ letter dated April 4, 2017, within a Warrensburg City Council agenda meeting packet. The letter which is attached to this memo as Appendix A, discussed existing infrastructure in proximity to Brady Commerce Park, which is the development project driving the need to expand Spire's footprint in the current CCN. The letter states, "The Client will be responsible for reimbursing MGE for electronic gas measurement installation charges. This charge is estimated to be a onetime fee of \$3,000 not to exceed \$5,000."

² Staff Data Request No. 0011.

³ Included in Spire's Application as Appendix 4.

⁴ MGE/Laclede Gas changed their name to Spire in 2016 and transitioned their name and logos during 2017.

Staff submitted data request No. 13 inquiring about the one-time fee. The data request and Spire's response are attached to this memo as Appendix B. Spire's response was that they could not locate any contributions received from the customer for the Brady Commerce Park development in accordance with Spire's correspondence with the Warrensburg City Council. However, the response also states that "based on this customer type the installation fee should have been charged". Staff has included a recommendation regarding this in the recommendation section below.

The customer is currently served under Spire Missouri West's Transportation rate class tariff Sheet No. 9. The Company proposes that it continue to apply these currently effective rates to the customer as established in Spire's most recent rate case proceeding, GR-2022-0179 until rates are changed by an approved tariff or a Commission Order.

Staff investigated whether Spire Missouri has the financial ability to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide natural gas service for the area described as Section 16. The total cost of the project is ** [REDACTED] **. ⁵ Staff reviewed how Spire Missouri funded the Section 16 project and the effect the financing had on Spire Missouri's credit quality. According to the Application, no external financing was required for construction related to this project. ⁶ Therefore, there are no changes in Spire Missouri's financial ratios because of this project. ⁷ Staff has no concerns with the financial risk profile of Spire Missouri. With consideration of Spire Missouri's financial capacity, the Applicant has the financial ability to provide the service. According to The Standard & Poor's ("S&P"), Spire Missouri's capital expenditure averages about \$360 million annually, with a credit facility availability of about \$475 million. ⁸ Spire Missouri is a wholly owned subsidiary of Spire Inc. Over the next three years, the S&P expects Spire Inc. will show robust capital expenditure of about \$600 million annually through 2024. ⁹ S&P and Moody's rated both Spire Missouri and Spire Inc. as investment grade. S&P rated both Spire Missouri and Spire Inc. as "A-", while Moody's rated them as "Baa2"

⁵ Staff Data Request, No. 0017.

⁶ Paragraph 11, The Application.

⁷ Staff Data Request, No. 0015.

⁸ RatingsDirect, S&P Global Ratings. Spire Missouri Inc., May 30, 2023.

⁹ RatingsDirect, S&P Global Ratings. Spire Inc., July 22, 2022.

and “A1”, respectively.¹⁰ Considering the fact that the total cost is less than 1% of Spire Missouri’s capital expenditures through 2023, it is reasonable to conclude that Spire Missouri has the financial ability to construct, install, own, operate, maintain, and otherwise control and manage the natural gas distribution system of Section 16.

Staff verified that the Company filed its 2022 annual report on May 2, 2023, and Staff completed their initial review on May 17, 2023, and noted that no response was required. Spire paid their final fiscal year 2023 quarterly assessment on May 4, 2023.

One of Staff’s primary concerns in this CCN is that Spire began providing natural gas service beyond the boundaries of its Commission authorized footprint. Since the discovery of the error, Spire has conducted multiple internal meetings to identify how the situation occurred as well as to discuss and implement new processes and procedures that are intended to prevent reoccurrence. Spire also committed to perform periodic internal audits on the matter.¹¹ Staff is persuaded that violating the authorized service area was not intentional and did not produce detrimental impacts to the public. However, Staff recommends that the Commission order Spire to produce an internal audit report prior to its upcoming rate case.

Tartan Criteria

In the Tartan Energy Company case¹², the Commission’s Order listed five criteria to include in the consideration when making a determination on whether a utility’s proposal meets the standard of being “necessary or convenient for the public service” (A short description of how Staff believes each criteria has been met is also included):

- Is the service needed?
 - Yes. The earlier discussion regarding customer need for service addresses the need of the project.
- Is the applicant qualified to provide the service?
 - Yes. Spire is a large public utility and gas corporation, as those terms are defined in RSMo. §386.020, and is a corporation incorporated under the laws of the State of Missouri, with its principal office located at 700 Market Street,

¹⁰ S&P Capital IQ Pro.

¹¹ Staff Data Request No. 0003.

¹² Case No. GA-94-127.

St. Louis, Missouri, 63101. As an existing utility operator, Staff believes Spire is qualified to provide the service.

- Does the applicant have the financial ability to provide the service?
 - Yes. As stated above, no external funding was required for this project and Spire Missouri has the financial ability to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide natural gas service for the area as previously described.
- Is the applicant's proposal economically feasible?
 - Yes. The effect on the revenue requirement indicates that the impact of authorizing this CCN will not be detrimental to the new customer(s) or Spire's general body of ratepayers.
- Does the service promote the public interest?
 - Generally, if all of the other criteria and conditions are met, then the criterion regarding public interest is met.

Staff Recommendation

Based on the information provided above, Staff recommends the Commission approve the Company's requested CCN with the following conditions:

- Spire shall initiate an internal audit of its processes and procedures regarding compliance with Commission Rule 20 CSR 4240-3.205 Filing Requirements for Gas Utility Applications for Certificates of Convenience and Necessity to ensure all of its regulated area of operation has been certified by the Commission. The report shall also include steps taken to avoid constructing and/or operating in uncertified areas in the future. Spire shall provide its internal audit report to the Commission prior to filing for its next general rate case.
- Spire will record an adjustment to reduce gross plant for CIAC (reduce rate base) by the mid-point of the range listed in the April 4, 2017, letter that is attached to this memo (Appendix A), which is \$4,000. Spire will file documentation of its adjustment to reduce gross plant for CIAC in this case docket in EFIS and provide the documentation with their application in their next general rate case.
- Spire shall file an updated tariff sheet incorporating Section 16, Township 46 North, Range 25 West for Johnson County.

Attachments

- A. MGE-Laclede letter one-time fee
- B. DR0013 and Company Response

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

In the Matter of the Application of Spire Missouri, Inc.)
for a Certificate of Convenience and Necessity to)
Construct, Install, Own, Operate, Maintain, and)
Otherwise Control and Manage a Natural Gas)
Distribution System to Provide Gas Service in)
Johnson County, Missouri as an Expansion of its)
Existing Certificated Areas)

File No. GA-2023-0374

AFFIDAVIT OF NATHAN BAILEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW NATHAN BAILEY, and on his oath states 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.

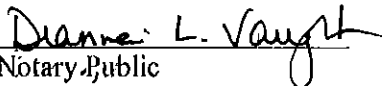
Further the Affiant sayeth not.



NATHAN BAILEY

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 7th day of August, 2023.



Notary Public

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: July 18, 2027 Commission Number: 15207377

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

In the Matter of the Application of Spire Missouri, Inc.)
for a Certificate of Convenience and Necessity to)
Construct, Install, Own, Operate, Maintain, and)
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Distribution System to Provide Gas Service in)
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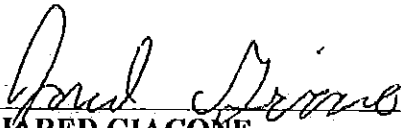
File No. GA-2023-0374

AFFIDAVIT OF JARED GIACONE

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

COMES NOW Jared Giacone, and on his oath states 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.

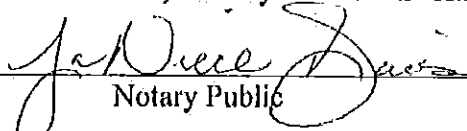
Further the Affiant sayeth not.



JARED GIACONE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 8th day of August, 2023.



Notary Public

JANIECE DAVIS
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES FEBRUARY 13, 2026
JACKSON COUNTY
COMMISSION #22076348

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

In the Matter of the Application of Spire Missouri, Inc.)
for a Certificate of Convenience and Necessity to)
Construct, Install, Own, Operate, Maintain, and)
Otherwise Control and Manage a Natural Gas)
Distribution System to Provide Gas Service in)
Johnson County, Missouri as an Expansion of its)
Existing Certificated Areas)


File No. GA-2023-0374

AFFIDAVIT OF SEOUNG JOUN WON, PhD

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW SEOUNG JOUN WON, PhD, and on his oath states 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.

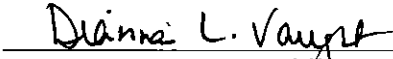
Further the Affiant sayeth not.



SEOUNG JOUN WON, PhD

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 14th day of August, 2023.



Notary Public

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: July 18, 2027 Commission Number: 15207377



James Hearing
Director-Economic Development
James.Hearing@Spireenergy.com

Laclede Gas Company/Missouri Gas Energy
700 Market St. 5th Floor
St. Louis, MO 63101
314-342-0895

April 4, 2017

J. Michael Mullis
President/CEO
J. M. Mullis, Inc.
3753 Tyndale Drive, Suite 101
Memphis, TN 38125
Re: Project Domino – Warrensburg Missouri
VIA EMAIL

Missouri Gas Energy (MGE) is pleased to provide the following information in response to Project Domino. This letter is to confirm Missouri Gas Energy's ability to serve the above referenced site with natural gas and outline potential incentives that may be available to the client.

Existing Infrastructure in Proximity to Brady Commerce Park:

MGE currently has existing 8" steel high pressure natural gas main to the west at NE 200th Road. Project plans will be to install approximately 5,000 feet of at least 4" steel main to the northwest corner of the project Domino site. This main will be extended to the developed property in accordance with our tariffs on file with the Missouri Public Service Commission.

MGE will provide cost sharing on natural gas infrastructure. The amount of main and service MGE will install at no cost to the customer will be determined from an analysis of the character of the service requested, the estimated annual revenue to be derived from the customer, the estimated annual cost of providing gas service and the estimated annual return to be derived from such service. The cost of this natural gas main extension is estimated to be \$241,132. Based upon preliminary estimates and full utilization of 45,000 cfh of natural gas space heating, there is no cost to the client expected. This will be confirmed once a complete mechanical equipment scheduled is confirmed. We estimate the extension to require approximately four (4) months to complete contingent on securing any necessary permits, right of ways and easements.

The Client will be responsible for reimbursing MGE for electronic gas measurement installation charges. This charge is estimated to be a onetime fee of \$3,000 not to exceed \$5,000. Monthly billing for gas service will be in accordance to the published billing rates and procedures available at <https://www.missourigasenergy.com/MGE/companyInfo/Tariffs>.

Potential incentives available to this project include:

We recognize the importance of natural gas to commercial & industrial businesses and are excited to work collaboratively to help the client receive all applicable incentives. These incentives are governed by tariffs on file with the Public Service Commission and should be reviewed for applicable rules and regulations.

- Natural gas infrastructure: As stated above, MGE does provide cost sharing on natural gas infrastructure.
- Rebates and Savings: Missouri Gas Energy understands what you need to run a profitable business. That's why we created commercial and industrial energy efficiency programs to help manage your energy costs and minimize downtime. Rebates are available up to \$100,000 cash back when you upgrade to high-efficiency natural gas equipment or services. Accounts must be established and qualification should be verified by new accounts before making any commitments.
 - Standard Rebates are offered on popular commercial and industrial equipment for pre-determined amounts to supplement the installation and improvement costs, including HVAC, boiler, water heating systems and food service equipment.
 - Custom rebates are also available for specialized energy efficiency projects. Your incentive amount is calculated by the amount of energy the project saves. Customers must pre-qualify before beginning your custom project.
- Dedicated business development account representative to assist in all matters related to the Large Volume Service account. This representative will be available to discuss natural gas requirements, review account history, available technology, and more.

Missouri Gas Energy recognizes the value Project Domino will have on the local and surrounding communities and is pleased to serve as a corporate partner in this endeavor. We have the pressure and capacity to serve a variety of potential needs including compressed natural gas for trucking, desiccant technology to control humidity for sensitive electronic equipment or on-site generation of electric where waste heat could be used for heat, hot water, cooling, or processing needs. Please let us know when firm service details and mechanical schedules can be provided.

Sincerely,



James E. Hearing

Select A Document

HC = Highly Confidential

C = Confidential

P = Public

P [Data Request: 0013](#)

(Submission Summary)

P [Response - 6/22/2023](#)

[10:42:12 AM](#) (Submission Summary)

P [spire response staff data request 0013.pdf](#)

Missouri Public Service Commission

Respond Data Request

Data Request No.	0013
Company Name	Spire-Investor(Gas)
Case/Tracking No.	GA-2023-0374
Date Requested	6/2/2023
Issue	General Information & Miscellaneous - Other General Info & Misc.
Requested From	Trisha Lavin
Requested By	Ron Irving
Brief Description	MGE Letter reference to one time fee
Description	Please reference the May 8, 2017 Warrensburg City Council agenda meeting packet, page 93 (https://www.warrensburg-mo.com/AgendaCenter/ViewFile/Agenda/_05082017-138) that includes a Missouri Gas Energy ("MGE")/Laclede Gas letter dated April 4, 2017 regarding the Brady Commerce Park Project Domino and: 1) Explain whether "The Client" who ultimately chose to receive natural gas service in the Brady Commerce Park reimbursed MGE for electronic gas measurement installation charges that were estimated in the letter as a onetime fee of \$3,000 not to exceed \$5,000. A) If the client did not make the onetime reimbursement fee, please explain the change(s) that occurred for the fee to be waived and provide any subsequent documentation of the waiver of fee. B) If the client did make a onetime reimbursement fee, please provide documentation showing: a) the amount b) what the fee was for c) the date of the payment and d) FERC account(s) where the receipt of funds was applied. Requested by: Jared Giacone (jared.giacone@psc.mo.gov)
Response	Please see the attached.
Objections	NA

The attached information provided to **Missouri Public Service Commission** Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the **Missouri Public Service Commission** if, during the pendency of Case No. **GA-2023-0374** before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information. If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the **Spire-Investor(Gas)** office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to **Spire-Investor(Gas)** and its employees, contractors, agents or others employed by or acting in its behalf.

Security : Public

Rationale : NA

Staff Data Request 0013
GA-2023-0374

Description:

Please reference the May 8, 2017 Warrensburg City Council agenda meeting packet, page 93 (<https://www.warrensburg-mo.com/AgendaCenter/ViewFile/Agenda/05082017-138>) that includes a Missouri Gas Energy (“MGE”)/Laclede Gas letter dated April 4, 2017 regarding the Brady Commerce Park Project Domino and:

1) Explain whether “The Client” who ultimately chose to receive natural gas service in the Brady Commerce Park reimbursed MGE for electronic gas measurement installation charges that were estimated in the letter as a onetime fee of \$3,000 not to exceed \$5,000.

A) If the client did not make the onetime reimbursement fee, please explain the change(s) that occurred for the fee to be waived and provide any subsequent documentation of the waiver of fee.

B) If the client did make a onetime reimbursement fee, please provide documentation showing:
a) the amount

b) what the fee was for

c) the date of the payment

d) FERC account(s) where the receipt of funds was applied

Response:

The Company cannot locate any contributions received from the customer for the EGM installation. The MGE/Laclede letter dated April 4, 2017, regarding the Brady Commerce Park Project Domino identified the customer as a Large Volume Service account. The Large Volume tariff applicable at this time did not differentiate transportation and sales customers. The EGM tariff specifies transportation customers are charged the installation fee.

The LGS tariff states that “Telemetry will be required (as described in rate schedule EGM) for all non-school customers taking transportation service under this schedule.” The \$3,000 not to exceed \$5,000 charge stated in the EGM tariff was applicable to all transportation customers.

Per the customer billing system, this customer is currently identified as Transportation Services – LGS. Based on this customer type the installation fee should have been charged.

The employee who signed the document is no longer an employee so no assumptions other than the letter are available.

Signed: Michelle Antrainer