

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

In the Matter of the Application of Spire)	
Missouri Inc. to Change Its Infrastructure)	<u>Case No. GO-2021-0031</u>
System Replacement Surcharge in Its Spire)	Tariff No. YG-2021-0020
Missouri West Service Territory)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and in response to the Commission’s August 5, 2020, *Order Directing Notice, Setting Intervention Deadline, and Directing Filings, Setting Time for Responses, and Suspending Tariff Sheets* (“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. According to § 393.1015.5(2), RSMo, at the end of each twelve-month calendar period its infrastructure system replacement surcharge (“ISRS”) is in effect, Spire Missouri shall reconcile the difference between revenues from the ISRS and the appropriate pretax revenues the Commission approved for that period. This reconciliation is submitted to the Commission as a proposed ISRS adjustment.

2. On August 4, 2020, Spire Missouri filed its *Verified Application and Petition of Spire Missouri Inc. to Change its Infrastructure System Replacement Surcharge for Its Spire Missouri West Service Territory 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 proposed P.S.C. MO. No. 8Sixth Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 7 Fifth Revised SHEET No. 12, bearing an effective date of September 3, 2020.

3. On August 5, 2020 the Commission issued *Order Directing Notice, Setting Intervention Deadline, Directing Filings, Setting Time for Responses, and Suspending Tariff Sheets*, suspending the tariff sheet Spire Missouri filed on August 4, 2020 (assigned tariff tracking number YG-2021-0021) until December 2, 2020. In this order the Commission also ordered Staff to file its recommendation regarding the Application by October 2, 2020. Staff's recommendation is attached hereto as Appendix A, with a supporting worksheet labelled as Appendix B, both of which are incorporated herein by reference.

4. In its Application, Spire Missouri seeks Commission approval to adjust its rates and charges to reconcile for the period of October 8, 2018 through June 30, 2020, an under-recovery of \$1,294,481. Spire Missouri revised its calculation to include July and August, 2020 data, which increased the request to \$1,788,274. Spire Missouri does not request recovery for any ISRS-eligible capital investments in its Application, because it reached the statutory cap in its prior ISRS case, Case Number GO-2020-0230.

5. As discussed in Staff's Memorandum, attached hereto as Appendix A, Auditing Staff reviewed supporting work papers and communicated with Spire Missouri personnel through email and telephone for clarification of the Application.

6. Staff agrees with Spire Missouri's calculation of this under-recovery and recommends that the Commission approve it. Included in the calculation of the total \$1,788,274 under-recovery is \$239,389 related to an over-refund of one-time bill credits from the remand cases.

7. Staff notes that consistent with the Commission's Report and Order in Case Number WO-2015-0211, this reconciliation is "separate from, not a part of, the eligible costs of which recovery counts toward maximum revenue."¹

8. Although Spire Missouri bases its proposed rates on the customer count in Spire West's most recent general rate case, GR-2017-0216, Staff's proposed ISRS rates are calculated based on the customer numbers Spire Missouri reported in its most recent annual report. The customer count in Spire Missouri's most recent annual report is more reflective of actual billing numbers and provides a more current count. This method of calculation is authorized under § 393.1015.5(1), RSMo and 20 CSR 4240-3.265. Staff's proposed ISRS rates are contained in Appendix B, 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 FY 2019 Annual Report and is not delinquent on its FY 2020 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 Missouri's ISRS tariff sheet (tariff number YG-2021-0021) P.S.C. MO. No. 8 Sixth Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 8 Fifth Revised SHEET No. 12, as filed on August 4, 2020;

¹ Report and Order, *In the Matter of the Petition of Missouri-American Water Company for Approval to Change its Infrastructure System Replacement Surcharge (ISRS)*, Case Number WO-2015-0211 (June 17, 2015), P. 10.

2. Approves Spire Missouri's proposal to adjust its rates and charges to reconcile an under-recovery of \$1,788,274;

3. Approves Staff's proposed substitute ISRS rates as shown on Appendix B. These rates are based upon customer levels from the Company's most current annual report.

4. Authorizes an effective date no sooner than November 17, 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 2nd day of October, 2020.

/s/ Karen E. Bretz

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2021-0031, Tariff Tracking No. YG-2021-0021
Spire Missouri Inc., d/b/a Spire (West)

FROM: Michael J. Ensrud, Research/Data Analyst, Procurement Analysis
Jeremy Juliette, Utility Regulatory Auditor, Auditing
Karen Lyons, Utility Regulatory Auditor, Auditing
Matthew R. Young, Utility Regulatory Auditor, Auditing

/s/ David M. Sommerer 10/02/20 */s/ Robert S. Berlin* 10/02/20
Procurement Analysis/Date Staff Counsel's Office/Date

SUBJECT: Staff Report and Recommendation Regarding Spire West's ISRS Tariff
Submission in order to increase existing ISRS rates.

DATE: October 2, 2020

EXECUTIVE SUMMARY

On August 4, 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 West Service Territory and Request for Waiver from 60 Day Notice Rule* ("Application") with associated workpapers. In its Application, Spire Missouri requests Commission approval, pursuant to Section 393.1015.5.(2), RSMo and 20 CSR 4240-3.265(17), to adjust its rates and charges to reconcile, for the period of October 8, 2018 through June 30, 2020, an under-recovery of \$1,294,481. Spire Missouri revised its calculations to include July and August, 2020 data, which increased the request to \$1,788,274. Due to reaching the statutory cap in ISRS revenues in its prior ISRS case, Case Number GO-2020-0230, Spire Missouri does not seek recovery for any ISRS-eligible capital investments in this Application.

Staff agrees with Spire Missouri's calculation of this under-recovery. Included in the calculation of the total \$1,788,274 under-recovery is \$239,389 related to an over-refund of one-time bill credits from the remand cases.

STAFF REVIEW AND REVENUE CALCULATIONS

According to Section 393.1015.5.(2), RSMo, at the end of each twelve-month calendar period its ISRS is in effect, Spire Missouri shall reconcile the differences between the revenues from the

ISRS and the appropriate pretax revenues the Commission approves for that period and shall submit the reconciliation and a proposed ISRS adjustment to the commission for approval to recover or refund the difference, as appropriate, through adjustments of an ISRS charge. Commission Rule 20 CSR 4240-3.265(17) requires the same.

Spire Missouri explains in its Application that its reconciliation corrects an error in its prior reconciliation in the July 2019 case, Case No. GO-2019-0357 and reconciles ISRS revenues between October 8, 2018 and June 30, 2020. This amount is the difference between the revenues it collected from its ISRS and the ISRS revenues the Commission authorized it to receive. Spire Missouri's August 2020 reconciliation (updated with actuals) also includes \$239,389 to address an over-refund of one-time bill credits. These bill credits are related to the ISRS cases that were remanded to the Commission.¹ As part of its examination of Spire Missouri's Application, Auditing Staff reviewed supporting workpapers and communicated with Spire Missouri's personnel through email and telephone for clarification of the Application. Staff agrees with Spire Missouri's calculation of this under net under-recovery.

Section 393.1015.5(1) and 20 CSR 4240-3.265 provide that customers' monthly ISRS charges are calculated based on the customer numbers reported in the company's most recent annual report. "Provided, however, that the monthly ISRS may vary according to customer class and may be calculated as determined during the most recent general rate proceeding"² Spire Missouri used customer counts from its most recent general rate case, Case Number GR-2017-0216, in calculating the specific ISRS rate for all applicable customer classes subject to paying an ISRS charge.³ However, Staff opines that the customer numbers in Spire Missouri's most recent annual report are more reflective of actual billing numbers and allow a more current count.⁴ Additionally,

¹ Paragraph 5 of the Commission-approved Unanimous Stipulation and Agreement in Case Nos. GO-2016-0332, GO-2016-0333, GO-2017-0201, GO-2017-0202, GO-2018-0309, GO-2018-0310 requires a reconciliation of one-time bill credits.

² Section 393.1015.5(1), RSMo.

³ Application at ¶ 10.

⁴ For its Spire West territory, Spire Missouri reported 521,949 customers in its 2019 annual report in Case No. BMAR-2020-1620. Spire Missouri reported 505,762 customers in its most recent general rate case in Case No. GR-2017-0216.

the number of customers from the more recent annual report will be closer to the actual number of customers billed for this ISRS revenue, which should minimize future reconciliations. For these reasons, Staff used the customer numbers in Spire Missouri's most recent annual report to determine the recommended ISRS rates. Appendix B shows Staff's proposed rate design.

ANNUAL REPORT AND ASSESSMENTS

Spire Missouri requested a waiver of the 60 day notice provisions of 20 CSR 4240-4.017(1). Staff has no objection to the waiver request.

Spire Missouri filed its 2019 annual report with the Commission. As discussed above, Staff's basis for calculating the ISRS rates is the customer count in the annual report.

As of the drafting of this memo, Spire West is not delinquent on its FY 2020 assessments.

RECOMMENDATION

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 (Tariff Number YG-2021-0021), P.S.C. MO. No. 8 Sixth Revised SHEET No. 12 CANCELLING P.S.C. MO. No. 8 Fifth Revised SHEET No. 12, as filed on August 4, 2020.
2. Accepts Spire Missouri's proposal to adjust its rates and charges to reconcile an under-recovery of \$1,788,274.
3. Approves Staff's proposed substitute ISRS rates as show on Appendix B. These rates are based upon customer levels from the Company's most current annual report.
4. Substitutes the effective date the Commission finds appropriate to no sooner than November 17, 2020.

P.S.C. MO. No. 8

Sixth Revised SHEET No. 12 CANCELLING Fifth Revised SHEET No. 12

SPIRE MISSOURI INC. -WEST
CASE NO. GO-2021-0031 & YG-2021-0021

Staff's Total ISRS Rev Req **\$23,297,105**
(includes reconciliation adjustment)

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>19.94870146</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	487,898	\$20.00	1.0000	487,898	83.4310%	\$3.32	\$19,436,996
SGS (Small Gen. Service)	29,595	\$30.00	1.5000	44,393	7.5912%	\$4.98	\$1,768,519
LGS-Large Gen. Service	3,969	\$130.17	6.5085	25,832	4.4173%	\$21.61	\$1,029,111
LV-Large Volume Service	487	\$1,095.27	54.7635	26,670	4.5606%	\$181.81	\$1,062,479
TOTAL	521,949			584,793	100.00%		\$23,297,105

* Due to rounding to the nearest penny, the designed ISRS rates **will over-collect by \$91**. However, it should be noted that the total amount collected will be trued-up at a later date .

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OF THE STATE OF MISSOURI

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

**AFFIDAVIT OF MICHAEL J. ENSRUD, JEREMY JULIETTE,
KAREN LYONS AND MATTHEW R. YOUNG**

STATE OF MISSOURI)	
)	ss.
COUNTY OF COLE)	

COME NOW MICHAEL J. ENSRUD, JEREMY JULIETTE, KAREN LYONS, AND MATTHEW R. YOUNG, and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Recommendation* in memorandum form; 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/ Michael J. Ensrud
Michael J. Ensrud

/s/ Jeremy Juliette
Jeremy Juliette

/s/ Karen Lyons
Karen Lyons

/s/ Matthew R. Young
Matthew R. Young