

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

In the Matter of the Spire Missouri, Inc.'s)
Request to Increase Its Revenues for Gas) **File No. GR-2017-0215**
Service) Tariff No. YG-2017-0195

In the Matter of the Spire Missouri, Inc.'s)
Request to Increase Its Revenues for Gas) **File No. GR-2017-0216**
Service) Tariff No. YG-2017-0196

NOTICE CORRECTING EXHIBIT 44

Issue date: September 24, 2018

Due to a scanning error, pages 4 and 5 of Exhibit 44, Rebuttal Testimony of James A. Fallert (File No. GR-2017-0215, EFIS No. 338; and File No. GR-2017-0216, EFIS No. 336) were omitted in the official record of the Commission. The Commission hereby corrects this omission by inserting those pages into Exhibit 44. Those pages are also attached to this notice.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive style.

Morris L. Woodruff
Secretary

Dated at Jefferson City, Missouri,
on this 24th day of September, 2018.

Dippell, Senior Regulatory Law Judge

1 contributions to the pension plans during those years, rather than the amounts expensed
2 on the Company's books pursuant to FAS 87 and FAS 88.

3 **Q. HOW ARE RATES NORMALLY ESTABLISHED IN MISSOURI RATE CASES?**

4 A. The Commission requires that Missouri companies use the Uniform System of Accounts
5 (USOA) for its books. The USOA specifies that companies comply with Generally
6 Accepted Accounting Principles (GAAP). Ratemaking starts with a test year based on
7 the company's books prepared pursuant to GAAP. Since GAAP requires pension accruals
8 pursuant to FAS 87 and FAS 88, it logically follows that rates are based on expense
9 calculated according to these standards unless there is evidence that the Commission has
10 specifically authorized a different methodology.

11 **Q. HAS THE COMMISSION PROVIDED SUCH AUTHORIZATION THAT
12 WOULD BASE RATES ON CONTRIBUTIONS RATHER THAN GAAP
13 EXPENSE?**

14 A. No. There is nothing in the record to support such a position.

15 **Q. SINCE THIS DISPUTE INVOLVES BALANCES ACCRUED DECADES AGO,
16 PLEASE PROVIDE SOME HISTORICAL BACKGROUND THAT WOULD
17 PROVIDE THE COMMISSION WITH SOME ADDITIONAL CONTEXT FOR
18 THIS ISSUE.**

19 A. Certainly. Prior to October 1, 1987, Laclede calculated pension expense accruals using an
20 aggregate cost method which complied with the GAAP accounting rules in place at the
21 time. Laclede pension expense as calculated under this method was used for ratemaking
22 purposes as it would have been included in the test years of the pertinent rate cases. In
23 December, 1985, the Financial Accounting Standards Board (FASB) issued FAS 87 and

1 FAS 88, which replaced the previous GAAP accounting standards for calculation of
2 pension expense. The FASB expressed a desire to improve comparability of pension
3 reporting among public companies. Laclede adopted these standards on October 1, 1987,
4 at which time it changed the methodology for calculation of pension expense accruals
5 under GAAP from the aggregate cost method to that prescribed in FAS 87 and FAS 88.

6 **Q. WHAT WAS THE RATEMAKING TREATMENT OF PENSION EXPENSE**
7 **SUBSEQUENT TO THE ADOPTION OF FAS 87 AND FAS 88?**

8 A. The two rate cases subsequent to the adoption of these standards (Case Nos. GR-90-120
9 and GR-92-165) were settled and there was no reference to pensions in the Stipulation &
10 Agreements. Since expense recognition under normal ratemaking practice starts with the
11 amounts of expense on the company's books, it follows that rates continued to be based
12 on expense since there is no indication to the contrary.

13 **Q. PLEASE CONTINUE.**

14 A. In Laclede's next rate case (Case No. GR-94-220), the first specific references were made
15 to basing rates on FAS 87 calculations. This is likely the genesis for Staff's contention
16 that FAS 87 was only implemented for ratemaking in this case.

17 **Q. WHY WAS FAS 87 DISCUSSED IN THE STIPULATION & AGREEMENT OF**
18 **CASE NO. GR-94-220?**

19 A. In that case, the parties agreed to change several of the key underlying assumptions in the
20 FAS 87 calculations. For instance, the amortization period for gains and losses was
21 changed from the average remaining service life of covered employees (about 15 years at
22 the time) to 10 years. The accounting rules in this circumstance would not normally
23 allow such a significant change. Therefore, specific Commission authorization was

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission,
at Jefferson City, Missouri, this 24th day of September 2018.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

September 24, 2018

File/Case No. GR-2017-0215 and GR-2017-0216

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



***Morris L. Woodruff
Secretary***

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.