

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

In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0115**
Replacement Surcharge in its Spire Missouri)
East Service Territory)

In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0116**
Replacement Surcharge in its Spire Missouri)
West Service Territory)

STAFF RESPONSE TO ORDER DIRECTING FILING

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Response to Order Directing Filing*, states as follows:

1. On May 14, the Commission issued its *Order Directing Filing* directing Staff to respond to a late-filed assertion by Public Counsel that Staff erred in the calculation of Spire’s revenue requirement as to how much net property taxes will be owed on the plant additions that the Commission has found to be ISRS eligible, and ultimately objecting to the substitute tariff sheets filed by Spire on May 6th.

2. The tariff sheets submitted by Spire comply with the Commission’s *Report and Order* issued on May 3, 2019, authorizing Spire Missouri, Inc. “to establish Infrastructure System Replacement Surcharges sufficient to recover ISRS revenues in the amount of \$6,425,514 for its Spire Missouri East service territory and \$6,782,560 for its Spire Missouri West territory.” The amounts ordered did not reflect a reduction in net property taxes. Public Counsel first raised this issue in its May 2, 2019 *Response To Spire Missouri Inc.’s Response To Staff Report And Request For Accounting Authorization To Defer Amounts Excluded From ISRS Charges For Consideration In Its Next Rate Case* and did not propose a calculation. The manner in which property taxes

were calculated was not identified as an issue in the list of issues, was not raised at the evidentiary hearing, and was not raised until May 2nd, the day before the Commission issued its *Report and Order* on May 3rd.

3. By way of further explanation, the property tax calculation is an estimated amount and can include the impact of plant additions and retirements from a previous ISRS recovery period. First, property taxes are calculated by applying the assessed value ratio to the net plant additions (property added minus property retired) to develop an assessed property value. Then the property tax assessment rate from the previous calendar year is applied to the assessed property value. The property tax assessment rate from the previous calendar year is used because the assessment tax rate for the current year is unknown until property tax bills are issued by the applicable counties late in each calendar year.

4. Property taxes are calculated for all ISRS additions placed into service for which the Company will have to pay property taxes within the first 12 months following the ISRS cut-off date. In Spire's previous ISRS cases (Nos. GO-2018-0309 and GO-2018-0310), the Company was not able to collect property taxes for plant that was in service after January 1, 2018, through June 30, 2018, because property taxes on these plant items will not be due until December 2019. For this case, the Company was able to include the plant from the previous cases and plant from this case that was placed into service from July 1, 2018 through December 31, 2018 as part of its property tax expense recovery. In the previous ISRS cases (Nos. GO-2018-0309 and GO-2018-0310) only two months of plant (November and December 2017) were included as part of the property tax calculation and were not adjusted to reflect a disallowance of property taxes.

5. Staff notes that the Commission dealt with Public Counsel's May 2nd concern in its *Report and Order* and did not find its late-filed concern to be particularly availing upon the Commission's ultimate determination of Spire's revenue requirement:

On May 2, 2019, Public Counsel filed two additional responses. The first of these responses was a verified response that has been marked as Exhibit 208. In that Response, Public Counsel acknowledges the "procedural limitations" involved in the expedited nature of an ISRS proceeding. With that acknowledgement, Public Counsel stated that with regard to the blanket work orders, and for the purposes of the current cases only, it does not contest Staff's adjustments further. Public Counsel also stated that it accepted Staff's corrected adjustment with one small exception relating to the net property tax calculation. (*Report and Order*, p. 10, *internal footnotes omitted*).

6. Further, the Commission on page 9 of its *Report and Order* addressed Public Counsel's April 30th response to Staff's April 25, 2019 Report, as corrected April 29, 2019. In that pleading Public Counsel raised two issues with Staff's revenue requirement calculations regarding adjustments to blanket work orders and adjustments to service transfers in Spire East. Public Counsel did not raise the net property tax calculation issue. In fact Public Counsel did not raise the net property tax calculation issue in the issues list, in its prefiled testimony, at hearing, or in its April 30th response to Staff's Report.

WHEREFORE, Staff prays the Commission accept its response to the Commission's May 14, 2019, *Order Directing Filing* and renews its May 9, 2019 recommendation that the Commission approve the compliance tariff sheets filed by Spire East and Spire West.

Respectfully submitted,

/s/ Robert S. Berlin

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 14th day of May, 2019, to all counsel of record.

/s/ Robert S. Berlin

