

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

In the Matter of Spire Missouri Inc.'s)	
Verified Application for Issuance of a)	
Depreciation Authority Order Related)	Case No. GO-2020-0416
to Smart Meter Devices)	
)	

RESPONSE TO STAFF RECOMMENDATION

COMES NOW the Office of the Public Counsel (“OPC”) and for its *Response to Staff Recommendation*, states as follows:

1. On June 25, 2020, Spire Missouri Inc. (“Spire”) filed an application before this Commission seeking a depreciation authority order to establish annual depreciation rates for the plant accounts related to its new smart meter devices: Account 381.100 - Smart Meters and Account 382.100 - Smart Meters Installation.

2. Spire requested the Commission approve a 5% depreciation rate for each account based on a 20 year service life with no net salvage value.

3. On August 27, 2020, the Staff of the Commission (“Staff”) filed its *Recommendation*, which recommended the Commission approve Spire’s application and issue the depreciation authority order as requested.

4. The OPC does not oppose the depreciation rates for accounts 381.100 and 382.100 as proposed by Spire and recommended by Staff.

5. However, the OPC does hold serious concerns regarding the prudence of the smart meter investments for which Spire is seeking this depreciation authority

order. A memorandum outlining the nature of those concerns has been included as **Attachment A.**

6. The OPC recognizes that this depreciation authority order request docket is not the proper venue to challenge the prudence of Spire's investments (which is a matter to be decided in Spire's next general rate case), but has chosen to nevertheless raise its concerns here first to put Spire and all other stakeholders on notice of the problems the OPC perceives with these investments and second to ensure the OPC's decision not to challenge this depreciation authority order is not taken as an admission of the prudence of these investments.

7. However, to reiterate, the OPC is not challenging the actual depreciation rates for accounts 381.100 and 382.100 as proposed by Spire and recommended by Staff and is not asking for a hearing in this case.

WHEREFORE, the Office of the Public Counsel respectfully requests the Commission accept this response to Staff's *Recommendation* and grant such other relief as it deems just.

Respectfully submitted,

By: /s/ John Clizer
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CERTIFICATE OF SERVICE

I hereby certify that copies of the forgoing have been mailed, emailed, or hand-delivered to all counsel of record this twenty-eighth day of August, 2020.

/s/ John Clizer

MEMORANDUM

To: Missouri Public Service Commission Official Case File,
Case No. GO-2020-0416

From: Geoff Marke, Chief Economist
Missouri Office of the Public Counsel

John Robinett, Engineering Specialist
Missouri Office of the Public Counsel

Subject: Notice of prudence concerns regarding natural gas Advanced Metering
Infrastructure (“AMI”) investment

Date: August 28, 2020

Background: On June 25, 2020, Spire Missouri Inc. (“Spire Missouri” or “Company”) filed an Application with the Missouri Public Service Commission (“Commission”) requesting the Commission issue a Depreciation Authority Order (“DAO”) assigning new annual depreciation rates for two of the Company’s plant accounts for the depreciation of the Company’s smart meter devices. These new depreciation rates are as follows:

1. 5.0% for Account 381.100 Smart Meters – Based on a 20-year service life and no net salvage
2. 5.0% for Account 382.100 Smart Meter Installations – Based on a 20-year service life and no net salvage

Approximately two months later, Staff submitted a two-page analysis in which it agreed with the Company in total. The purpose of this memorandum is not to raise any concerns about the specific request Spire has made or challenge the proposed depreciation rates. Instead, OPC’s memorandum raises the larger question of why such rates are even being considered in the first place.

Functionality Concern: OPC would like the Commission to be aware that, while it does not have a concern with the depreciation lives and rates of these new smart meters, at this current time the meters will function no differently than the Company’s current meters. Attached to this memorandum are Spire’s responses to the OPC’s data requests 8509, 8510 and 8511. OPC points

Attachment A

out that the two-way capability of these new smart meters will not be possible without the investment in a network as described by Spire in response to OPC data request 8509. Further, Spire's response states that "[t]he current estimate for Spire Missouri West is that [the network investments] will be completed over the next several years." Data request 8511, meanwhile, indicates that Spire's current software packages can read the meters just as the AMR system functions now. Therefore, it will take several years before customers will see the benefits, if any, arising from these new smart meters. Until then, these smart meters will be functionally identical to the existing ones.

Pre-Investment Prudence Concern: OPC would like the Commission to be aware, prior to the Company's large capital investment, that it does not believe AMI capital costs are a prudent use of ratepayer dollars. To date there are two utilities (Eversource Missouri Metro and Eversource Missouri West) in Missouri with utility-wide AMI investment. AMI deployment for these two electric utilities began in 4th quarter of 2010 with 1,000 remaining AMI meter exchanges scheduled to be complete by the end of the 3rd Quarter of 2020. An almost decade-long deployment schedule. During that time, customers have gradually paid a return on and of that investment through an inflated rate base driven by both \$100s of millions of dollars in hardware (AMI) and software (billing system). Despite increased shareholder earnings, there have been no Time-of-Use Rates for customers to utilize in order to take advantage of that AMI hardware. Moreover, due to Plant-in-Service Accounting adoption, there will be no opportunities for consumer advocates to propose tariff changes for a Time-of-Use offering for some time. In short, the benefits produced by this AMI deployment have entirely fallen on the utility-side of the regulatory compact.

In Case Nos. GO-2020-0416, Spire East and Spire West have requested new annual depreciation rates for "smart meter devices." It is unclear what "smart meter devices" constitute, as OPC's discovery regarding Spire's pending capital investments were objected to over relevance, but the OPC is operating under the assumption that these smart meters are functionally identical to AMI meters. Regardless, Smart Meter infrastructure can be a serious capital investment undertaken by a utility. To date, any benefits customers have realized from Eversource Metro and Eversource West's investments in AMI are dwarfed by the increased costs those customers have had to shoulder. Perhaps most perplexing about Spire's presumably near-term decision to add "smart meter

Attachment A

devices” to its rate base is what benefits its customers could actually experience. On the electric side, TOU rates are theoretically utilized to incentivize customers to consume energy during times when the cost of generating electricity is cheap, and to disincentive energy consumption when the cost of generating electricity is high. No such option exists with a natural gas utility. So what do customers get? This question is put forward now in the hope that Spire East/West will engage stakeholders as to the rationale behind their potential investment.

A recent white paper from the American Council for an Energy-Efficient Economy (“ACEEE”) titled “Leveraging Advanced Metering Infrastructure to Save Energy” concludes the value-statement for AMI is questionable at best because utilities do not choose to maximize the benefits available from AMI.¹ In 2019, regulators in Virginia rejected Dominion Energy’s proposed smart meter rollout, and utility commissions in New Mexico, Massachusetts and Kentucky all rejected utility proposals.² Based on those recent results, it would appear unwise to automatically assume AMI would be a prudent investment. When the seemingly most beneficial gain to be obtained from AMI is not even possible because you’re a natural gas utility, the logic of investing millions of dollars is suspect at best.

Conclusion: OPC hopes that Spire will do the proper analysis before making its investments and provide the empirical and objective justifications prior to seeking recovery. It is much more of a challenge for everyone involved and a greater risk to shareholders and ratepayers alike to raise prudence issues on an investment that is already operational. Missouri is not a pre-approval state, however, and OPC is not requesting any prudence disallowance for Spire’s investments at this time. This memorandum merely serves as a placeholder to put Spire on notice that its planned capital investments raise considerable concern for OPC, as we are highly skeptical that such an investment would be deemed prudent by a reasonable person.

¹ York, D. (2020) Smart meters gain popularity, but most utilities don’t optimize their potential to save energy. ACEEE <https://acee.org/blog/2020/01/smart-meters-gain-popularity-most>

² Walton R. (2020) Most utilities aren’t getting full value from smart meters, report warns. *Utilitydive*. <https://www.utilitydive.com/news/most-utilities-arent-getting-full-value-from-smart-meters-report-warns/570249/>

DR8511 - Does Spire currently have software capable of sending and receiving signals from AMI meters or will that be an additional investment.

Response: The AMI system comes with a vendor provided network management software system. This software replaces and modernizes the meter reading and billing systems we utilize today. There will be investment to configure this software for Spire and integrate it with our existing systems. This software will be utilized to manage AMI technology for all Spire customers. The AMI meter equipment can be read by the Company's current system until the AMI network and network software are deployed.

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Depreciation)
Case No. GO-2020-0416

VERIFICATION OF GEOFF MARKE

Geoff Marke, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my memorandum in the above-captioned case.

2. The information in the attached memorandum is true and correct to the best of my knowledge, information, and belief.



Geoff Marke
Chief Economist
Office of the Public Counsel

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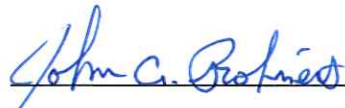
Case No. GO-2020-0416

VERIFICATION OF JOHN A. ROBINETT

John A. Robinett, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my memorandum in the above-captioned case.

2. The information in the attached memorandum is true and correct to the best of my knowledge, information, and belief.



John A. Robinett

Utility Engineering Specialist

Office of the Public Counsel