

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held by telephone
and internet audio conference
on the 8th day of July, 2020.

In the Matter of the Application of Spire)	
Missouri Inc. to Transfer Certain Assets to)	<u>File No. GM-2020-0292</u>
Saint Louis University)	

ORDER APPROVING SALE AND TRANSFER OF ASSETS

Issue Date: July 8, 2020

Effective Date: August 7, 2020

Spire Missouri Inc. filed an amended application on May 8, 2020,¹ seeking authority to sell certain assets in its Spire East service territory to Saint Louis University (SLU). Spire also requests waiver of the 60-day notice requirement under 20 CSR 4240-4.017.

On June 22, 2020, Staff recommended that the Commission approve and authorize the proposed sale and transfer of assets, with recommended conditions, and grant Spire's waiver request. No objections to Staff's recommendation have been received, and the time for response has expired.²

Spire's amended application, submitted pursuant to Commission rules 20 CSR 4240-2.060 and 20 CSR 10-10.105, seeks authority to sell and transfer to SLU portions of Spire's gas distribution system used to serve the SLU campus. SLU is a private research university that receives natural gas service from Spire in St. Louis. Spire is a public utility that distributes and transports natural gas to customers in Missouri. The Spire East operating unit provides gas service in eastern Missouri to customers in St. Louis and

¹ Spire's amended application removed some assets from the transaction proposed in Spire's initial application, filed on March 18, 2020.

² Commission Rule 20 CSR 4240-2.080(13) allows parties 10 days to respond to pleadings unless otherwise ordered by the Commission. The Commission has received no applications to intervene in this case.

multiple counties.

The transaction would transfer to SLU five individual segments of natural gas distribution main and service pipeline,³ enabling SLU to own a gas distribution system and purchase gas at wholesale rates. The assets will be used by SLU only to serve the SLU campus. Spire's amended application indicates the assets consist of a total of 5,108 feet of pipeline, ranging in age from two years to more than 60 years.⁴ Spire proposes to sell the assets for \$93,470, which Spire asserts reflects the cost to Spire to cut and cap the mains. Spire's amended application indicates the fair market value of the assets is \$55,511.

Spire does not request any particular determination of the financial implications of the transfer. Staff advises any ratemaking determination of the financial implications of the transaction, if authorized, should be determined as part of Spire East's next general rate proceeding. This order does not reach those issues.

Spire's application indicates Spire will not retain responsibility for maintenance of the transferred assets. Spire's amended application indicates the company has discussed maintenance with SLU officials and has alerted SLU to Commission rules. Staff's recommendation advises that the Commission's safety engineering department has provided SLU officials information about current safety and reporting regulations.

Staff's recommendation observes that the transaction comes to the Commission essentially complete, lacking only the Commission's approval. Staff reports that Spire's board of directors approved the SLU transaction in March 2019. According to Staff, Spire and SLU executed initial bills of sale at about the same time as construction work was

³ The location and configuration of the utility assets to be sold are depicted in maps included with five bills of sale attached as Exhibit B to Spire's amended application.

⁴ Staff advises Spire has indicated no assets included in the transfer to SLU are included in any amount being collected from a prior or current infrastructure system replacement surcharge filing.

completed for each segment of the transaction in July and August 2019. According to Staff's review, SLU paid Spire \$93,470 in June 2019, with additional amounts paid in June and September 2019 for master meter installation. Spire advised Staff it considers the initial bills of sale invalid; revised bills of sale, which expressly make each sale subject to Commission approval, are attached to Spire's application.

Section 393.190.1, RSMo (2016), requires Commission approval for the sale, assignment, lease, transfer or other disposition of "the whole or any part of" a gas corporation's "franchise, works or system, necessary or useful in its performance of its duties to the public." In evaluating an application for authority to transfer utility assets, the Commission considers whether the transfer will be "detrimental to the public."⁵

Spire's application contends the proposed transaction is not detrimental to the interests of Spire, SLU or Spire's other customers. SLU benefits from the ability to purchase gas at wholesale rates and acquire a distribution system for less than the cost of a new system. Spire incurs no cost to cut and cap the mains and recovers a cost in excess of the fair market value of the assets. Spire contends there will be no additional cost to ratepayers from the transaction because Spire avoids future maintenance costs associated with the assets and will receive from SLU distribution charges that are roughly the same as current charges.

Staff advises that the proposed sale and transfer of assets from Spire to SLU is not detrimental to the public interest and recommends the Commission approve the sale, with conditions and subject to the terms and conditions in the proposed bills of sale. Staff proposes the Commission should require Spire to address conditions at three locations. Staff proposes Spire should be required to repair a "Class 3" leak⁶ at 3550 Lindell

⁵ *State ex rel. City of St. Louis v. Pub. Serv. Comm'n*, 73 S.W.2d 393, 399-400 (Mo. banc 1934).

⁶ Staff advises a "Class 3" leak does not constitute a hazard to property or the public and under ordinary circumstances may be checked twice per calendar year until it is repaired within five years, or otherwise

Boulevard, if the leak location is determined to be associated with the assets to be transferred. Staff also recommends Spire should be required to install a tracer wire or other means to locate a plastic service line at 220 N. Grand Boulevard and investigate and correct deficient cathodic protection at 3500 Lindell Boulevard and Lindell & Theresa Power Plant. The Commission determines these recommendations are prudent.

The Commission finds the transaction is not detrimental to the public. The Commission will authorize Spire to proceed with the transfer of assets as proposed in its amended application and subject to conditions recommended by Staff.

Finally, the Commission will grant Spire's request for waiver of the 60-day notice requirement under 20 CSR 4240-4.017. The Commission finds good cause exists for waiver, based on Spire's verified declaration that it had no communication with the Office of the Commission regarding substantive issues in the application within 150 days before Spire filed its application.

THE COMMISSION ORDERS THAT:

1. Spire's amended application for authority to sell and transfer assets to Saint Louis University is granted, subject to the terms and conditions stated in the bills of sale attached to the amended application and subject to the following conditions, as further stated in Staff's recommendation:

- a. Spire shall repair the Class 3 leak located at 3550 Lindell Boulevard, if the leak location is determined to be associated with the Spire assets proposed for sale;
- b. Spire shall install a tracer wire or provide other means of locating the plastic service line for 220 N. Grand Boulevard; and

c. Spire shall investigate the cause of deficient cathodic protection at both 3500 Lindell Boulevard and Lindell & Theresa Power Plant and take corrective measures to restore cathodic protection.

2. The 60-day notice requirement of Rule 20 CSR 4240-4.017(1) is waived for good cause.

3. This order shall be effective on August 7, 2020.



BY THE COMMISSION

A handwritten signature in dark ink, reading "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Silvey, Chm., Kenney, Rupp, Coleman, and
Holsman CC., concur.

Jacobs, Regulatory Law Judge