

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 20th
day of September, 2018.

In the Matter of the Application of Spire Missouri)
d/b/a Spire's Verified Application to)
Renew its Financing Authority)

File No. GF-2018-0249

ORDER GRANTING APPLICATION

Issue Date: September 20, 2018

Effective Date: October 1, 2018

On June 20, 2018, Spire Missouri Inc. (Spire Missouri) filed a verified application for approval of financing authority in the amount of \$500,000,000 for all securities (except for current operating leases) through September 30, 2021. Spire Missouri also requested that the authority apply to an accounting change taking effect in 2019 that will have the impact of reclassifying certain existing operating leases to capital leases. Spire Missouri requested that the Commission issue an order granting the authority to be effective no later than October 1, 2018, the date its current financing authority expires.

The parties met in an early procedural conference and submitted a joint procedural schedule that was adopted by the Commission. The procedural schedule included a date for the Staff of the Missouri Public Service Commission (Staff) to file a recommendation and an August 28, 2018 deadline for filing responses to Staff's recommendation and to file any requests for an evidentiary hearing. Responses were filed; however, no party requested a hearing.

In its August 8, 2018 verified recommendation, Staff recommends that the financing authority be granted subject to the following eleven conditions:

1. That the Company be authorized to issue registered securities (first mortgage bonds, unsecured debt and preferred stock), issue common stock, and issue private placement debt in an aggregate amount not to exceed \$500 million at any time, or from time to time, through September 30, 2021, provided that the Company shall not be authorized to use any portion of the \$500 million for any purpose other than for the exclusive benefit of Spire Missouri's regulated operations, as such purposes are specified in Section 393.200. However, if the Company plans to issue anything other than senior secured debt (registered or privately-placed), it shall file notification with the Commission ninety (90) days in advance of doing so.
2. That Spire Missouri is authorized to accommodate any change in the amount of capital leases it carries resulting from the accounting standards update adopted by FASB on February 16, 2016. Any such amount shall not count against the amount of the financing authority granted herein by the Commission.
3. That the total amount of the long-term debt, capital leases, and preferred stock issued and outstanding under such authorization shall not, at any time during the period covered by this authorization, exceed the lesser of the value of Spire Missouri's rate base or 65 percent of its total capitalization, as such conditions are defined in Case Nos. GM-2001-342 and GF-2007-0220.
4. That the current Commission Authority under Case No. GF-2015-0181 shall be superseded by the Authority granted in Case No. GF-2018-0249.
5. That the interest rate for any debt issuance covered by the Application shall not be greater than a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers.
6. That, if and when individual debt securities are issued under this Application, the Company shall submit a verified report to the Commission's Budget & Fiscal Services Department documenting such issuance, the use of any associated proceeds and the applicability and measure of fees under Section 386.300.2.
7. That the Company shall file with the Commission within ten (10) days of the issuance of any financing authorized pursuant to a Commission order in this proceeding a report including the amount issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance. In addition, the Company shall also provide the analysis, to include but not be limited to indicative pricing information developed, performed to determine that the terms for the securities issued were consistent with market requirements at the time.

8. That the Company shall submit to Staff and The Office of the Public Counsel any information concerning communications with credit rating agencies concerning individual debt securities issued under this Application.

9. That the Company shall file with the Commission any credit rating agency reports issued on the Company, the Company's debt issuances, or on Spire Inc.

10. That nothing in the Commission's order shall be considered a finding by the Commission of the value of these transactions for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.

11. In seeking a renewal of the authority granted in this case, Spire Missouri and Staff shall operate under the general time frames set forth for financing cases in the 2004 case management roundtable project.

The Office of the Public Counsel (Public Counsel) filed a response to Staff's recommendation on August 17, 2018. Public Counsel suggested an amendment to add "or prudence" to Staff's condition No.10.

On August 28, 2018, Spire Missouri filed its response. Spire Missouri stated that it had no objection to Public Counsel's proposed modification. Spire Missouri requested, however, that parts of two Staff conditions not proposed in previous financing authorizations be eliminated.

Spire Missouri requested that the Commission eliminate the portion of Staff's condition No.1 requiring Spire Missouri to file notice with the Commission 90 days in advance of issuing any debt other than senior secured debt (registered or privately-placed). Staff explained in its recommendation that the application contains a broad request for financing authority and did not provide details as to the anticipated terms of the debt Spire Missouri plans to issue over the next three years. Because of the lack of more defined terms, Staff recommended that the authority be limited to the types of

securities that Spire Missouri Inc. has issued in the past, specifically with regard to debt securities and that Spire Missouri notify the Commission 90 days in advance of the planned issuance and explain the reason it believes it is prudent.

Spire Missouri argues that this condition could significantly limit its ability to respond quickly to changes in the financial markets, which in turn could result in a substantially higher cost of debt. Spire Missouri states that this is particularly true with lenders who wish to provide unsecured debt. Spire Missouri points out that the purpose of receiving the financing authority is to establish terms and conditions in advance so that debt can be procured in a timely and competitive manner.

Staff replied to Spire Missouri's objections on September 17, 2018. Staff explained that because the application does not provide more specific details as to the anticipated terms of the planned debt, Staff is asking that Spire Missouri be required to give notice of its intent to issue long-term financing that is different from its past practice and an explanation as to why it is deviating from past practice. Staff stated that it would be agreeable to the Commission shortening the time for the notice to 30-45 days.

The Commission finds requiring a 30-day notice of intent to deviate from past practice with regard to issuing long-term financing and an explanation regarding the deviation will not be unduly burdensome or hinder Spire Missouri's ability to obtain competitive financing. Furthermore, requiring the additional detail Staff requests is consistent with Commission rule 4 CSR 240-3.220(1)(C), which requires that applications for financing authority include, at the least, the general terms and conditions that will be contained in the proposed financial instruments. Therefore, the Commission will adopt Staff's condition with a shortened notice period.

Spire Missouri also took issue with part of Staff's condition No.7. That condition would require Spire Missouri to provide within ten days of the issuance of any financing, "the analysis, to include but not be limited to indicative pricing information developed, performed to determine that the terms for the securities issued were consistent with market requirements at the time." Spire Missouri argues that under Staff's condition No.5, it would already have the obligation to ensure that what it pays for debt is no greater than the market price for similar debt issuances with similar terms. Spire Missouri argues that proving that point each time an issuance occurs (as opposed to when the costs are being considered in a rate case) is unnecessary and inappropriate given that under condition No.10 proposed by Staff and modified by Public Counsel, the Commission will not be making any determinations regarding the prudence or ratemaking value of the debt issuances at the time they occur. Spire Missouri also stated that given Staff's particular concerns set out in the confidential portions of its recommendation, Spire Missouri would have no objection to providing this kind of information upon Staff's request for certain financings after they are completed.

In Staff's September 17, 2018 reply, it explained that even though the Commission will not be making any determination regarding the prudence or value of the issuances at the time that they occur, Staff is better able to review the specifics of the transaction shortly after its completion because the documentation and the people involved are more likely to be available than years later during the rate case. Therefore, Staff requests that Spire Missouri be directed to provide the documentation with its notice of the transaction's completion.

The Commission finds that Staff's request is not unduly burdensome in that Spire Missouri will have the required documentation at the time the transaction is completed

and it may more readily be available than for a later rate case. Therefore, the Commission will adopt this requirement as part of the grant of authority for this financing.

Neither the governing statute¹ nor any other law requires a hearing before approving the unopposed application.² Because this is a non-contested case, the Commission acts on evidence that is not formally adduced and preserved.³ There is no evidentiary record.⁴ Consequently, the Commission bases its decision on the parties' verified filings.

The Commission has reviewed and considered Spire Missouri's verified application, Staff's verified recommendation, and the responses of Spire Missouri and Public Counsel. Based on the Commission's independent and impartial review, the Commission finds that it is in the public interest to grant Spire Missouri's application subject to the conditions as requested by Staff with the modification proposed by Public Counsel.

As required by Section 393.200, RSMo, it is the Commission's opinion that the proposed issuance of debt securities is or will be reasonably required for the purposes specified in the application and that such purposes are not in whole, or in part, reasonably chargeable to operating expenses or to income. The Commission finds that the proceeds from the authorized proceeds will be used for any of the following: (1) to discharge or redeem previously issued bonds; (2) to finance the purchase, acquisition, and construction of additional properties and facilities, as well as improvements to Spire

¹ Sections 393.190 and 393.200, RSMo. 2016.

² *State ex rel. Rex Deffenderfer Ent., Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App., W.D. 1989).

³ *State ex rel. Public Counsel v. Public Service Comm'n*, 210 S.W.3d 344, 353-355 (Mo. App. 2006).

⁴ *Id.* The competent and substantial evidence standard of Article V, Section 18, does not apply to administrative cases in which a hearing is not required by law." *Id.*

Missouri's existing plant; (3) to improve or maintain service; (4) to discharge or lawfully refund all or a portion of Spire Missouri's outstanding short-term debt; (5) to reimburse money actually expended from income; and/or (6) to provide the financial resources required to meet Spire Missouri's other public utility obligations. Further, Spire Missouri is granted the financing authority to accommodate any change in the amount of capital leases it carries resulting from its new accounting requirement and those amounts shall not be counted against the \$500,000,000 financing authority.

The Commission finds good cause to make this order effective on October 1, 2018, the expiration date of Spire Missouri's current financing authority, to avoid a gap in financing authority for Spire Missouri.

THE COMMISSION ORDERS THAT:

1. Spire Missouri Inc.'s application for financing authority in the amount of \$500,000,000, filed on June 20, 2018, is granted subject to the conditions set out below.

2. Spire Missouri Inc. is authorized to issue registered securities (first mortgage bonds, unsecured debt and preferred stock), issue common stock, and issue private placement debt in an aggregate amount not to exceed \$500,000,000 at any time, or from time to time, through September 30, 2021, provided that Spire Missouri Inc. shall not be authorized to use any portion of the \$500,000,000 for any purpose other than for the exclusive benefit of Spire Missouri Inc.'s regulated operations, as such purposes are specified in Section 393.200, RSMo. However, if Spire Missouri Inc. plans to issue anything other than senior secured debt (registered or privately-placed), it shall file notification with the Commission 30 days in advance of doing so.

3. Spire Missouri Inc. is authorized to accommodate any change in the amount of capital leases it carries resulting from the accounting standards update

adopted by the Financial Accounting Standards Board (FASB) on February 16, 2016. Any such amount shall not count against the amount of the financing authority granted herein by the Commission.

4. The total amount of the long-term debt, capital leases, and preferred stock issued and outstanding under this authorization shall not, at any time during the period covered by this authorization, exceed the lesser of the value of Spire Missouri Inc.'s rate base or 65 percent of its total capitalization, as such conditions are defined in Commission File Nos. GM-2001-342 and GF-2007-0220.

5. The current Commission authority under File No. GF-2015-0181 shall be superseded by the authority granted in File No. GF-2018-0249.

6. The interest rate for any debt issuance covered by the application shall not be greater than a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers.

7. If individual debt securities are issued under this application, Spire Missouri Inc. shall submit a verified report to the Commission's Budget & Fiscal Services Department documenting such issuance, the use of any associated proceeds, and the applicability and measure of fees under Section 386.300.2, RSMo.

8. Spire Missouri Inc. shall file with the Commission within ten days of the issuance of any financing authorized pursuant to this order, a report including the amount issued, date of issuance, interest rate (initial rate if variable), maturity date, redemption schedules or special terms, if any, use of proceeds, estimated expenses, and loan or indenture agreement concerning each issuance. In addition, Spire Missouri Inc. shall also provide the analysis, to include but not be limited to indicative pricing

information developed, performed to determine that the terms for the securities issued were consistent with market requirements at the time.

9. Spire Missouri Inc. shall submit to the Staff of the Missouri Public Service Commission and the Office of the Public Counsel any information concerning communications with credit rating agencies concerning individual debt securities issued under this authority.

10. Spire Missouri Inc. shall file with the Commission any credit rating agency reports issued on Spire Missouri Inc., Spire Missouri Inc.'s debt issuances, or on Spire Inc.

11. Nothing in the Commission's order shall be considered a finding by the Commission of the value or prudence of these transactions for rate making purposes, and the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.

12. In seeking a renewal of the authority granted in this case, Spire Missouri Inc. and Staff shall operate under the general time frames set forth for financing cases in the 2004 case management roundtable project.

13. This order shall become effective on October 1, 2018.



BY THE COMMISSION

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

Morris L. Woodruff
Secretary

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

Dippell, Senior Regulatory Law Judge

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 20th day of September 2018.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

September 20, 2018

File/Case No. GF-2018-0249

**Missouri Public Service
Commission**

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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.