

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

In the Matter of Laclede Gas Company’s)
Request to Increase Its Revenue for Gas Service) **File No. GR-2017-0215**

In the Matter of Laclede Gas Company d/b/a)
Missouri Gas Energy’s Request to Increase Its)
Revenues for Gas Service) **File No. GR-2017-0216**

**PUBLIC COUNSEL’S RESPONSE IN OPPOSITION TO
SPIRE MISSOURI’S REQUEST FOR CLARIFICATION**

COMES NOW, the Office of the Public Counsel, (“OPC” or “Public Counsel”) and in Response in opposition to the Spire Missouri’s Inc.’s February 27, 2018 *Request for Clarification* and states as follows:

1. On February 21, 2018, the Commission issued its Report and Order (“Order”) in the above-captioned dockets.

2. On February 27, Spire filed its *Request for Clarification*. In paragraph 1 of its Request, Spire indicates: “the Company believes it could benefit from additional clarification on a ‘handful’ of issues.” Given the Commission’s reversal on issues to reach company-friendly approaches, the Company demands even more concessions. If the Commission grants these requests, Spire will likely over-earn, at ratepayers’ expense.

3. The Commission properly denied Spire’s request to include capitalization of incentive compensation costs related to earnings-based incentives should not be included in the rates the Commission is setting in this case. The Commission properly determined that earnings based incentives benefit shareholders and ratepayers should not bear those costs. Report and Order p. 125. The Commission has previously determined that compensation based on corporate

earnings is focused on shareholder wealth maximization and should be assigned to the shareholders. The Commission should affirm its decision that “Spire Missouri shall not recover earnings based or equity based employee incentive compensation amounts in rates.” Report and Order p. 130.

4. The Company’s request for “transition rates” must be denied. The Commission should deny this unlawful request for two reasons. First, Commission adoption of the transition rate would be an admission that, in its Report and Order, the Commission had failed to set just and reasonable rates. The Company has given no reason to delay implementation of the established permanent rates, nor is there an evidentiary basis to substantiate such an order affecting rates.

5. Second, astonishingly, Spire proposes to continue to collect its current ISRS charges on infrastructure that has been included in rate base in this case. “The requested transition rates held fixed charges, *including* ISRS, steady and adjusted the usage charge to allow for summer revenues to recover a similar percentage of the revenue requirement as the current rate design. Spire’s Request at p. 4 para. 8. Commission approval of this proposal would be a patent violation of Section 393.1015.6 RSMo (2016) which requires the company to “reset the ISRS to zero when new base rates and charges become effective in a general rate proceeding . . . following a Commission order establishing customer rates in a general rate proceeding that incorporates [ISRS] in the utility’s base rates.” The statute does not provide such authority to accommodate Spire’s motion.

6. Instead of addressing transition rates, the Commission set specific rates and ordered an inclining block rate in the summer and a level block rate in the winter for both [companies]. Report and Order p. 98. If anything, the Commission should settle the issue and explicitly deny that request.

7. As the Commission noted, the Company could have delayed filing this case so that permanent rates would go into effect in October, but instead Spire decided to file in April 2017. “Thus, Spire Missouri made a decision to continue collecting an ISRS by filing this rate case; it was not required to do so.” Report and Order p. 58.

8. The Commission should decline to limit the Cost Allocation Manual (“CAM”) working group’s efforts in any way. Commission Rules 4 CSR 240-40.015 and CSR 240-40.016 are designed to protect regulated utility customers from higher consumer rates from cross-subsidization of non-regulated affiliates and “to prevent the company from subsidizing its non-regulated operations.” 4 CSR 240-40-015 Purpose.

9. “Spire Missouri’s existing CAM was approved by the Commission in 2013. Since that approval, Spire Inc. has acquired Alagasco and Mobile Gas in Alabama and Willmut Gas in Mississippi and has created a new shared services entity. Because of the changes in Spire Inc.’s structure, the existing CAM should be updated.” Report and Order at 64 Findings of Fact. For all of the reasons noted by the Commission, the Commission ordered that “Spire Missouri’s CAM should be rewritten. . . .” Report and Order at 64 Decision. Complete revision of the CAM is essential due to the number of Spire’s acquisitions and the potential for future acquisitions. The Company reported to shareholders about its plans for future growth including Spire STL Pipeline.¹

¹ We are off to another solid start in fiscal 2018, building on our momentum from last year. We invested further in infrastructure and technology to deliver even better service, reliability and cost effectiveness for the 1.7 million homes and businesses we serve," said Suzanne Sitherwood, president and chief executive officer of Spire. "We continue to progress on our growth strategy with our Spire STL Pipeline and our acquisition of a natural gas storage facility. Our run-rate earnings of \$1.19 per share are solid, and with the passage of tax reform, we are working with our state regulators to determine how to pass the benefits of lower tax rates to our customers. Overall, we are on track with our strategies to deliver long-term growth and keep our promises to our shareholders, customers, communities and employees."

First Quarter Results	Three months ended December 31,			
	(Millions)		(Per Diluted Share)	
	2017	2016	2017	2016

Net Economic Earnings (Loss)* by Segment

10. While Spire’s non-compliance is of grave concern to the welfare of its customers, if FERC grants Spire’s request to build STL Pipeline, the concern will be magnified.

11. The fact that Public Counsel “sought to verify compliance with the existing CAM” should not be interpreted to indicate OPC thinks the current CAM is sufficient to comply with the Commission rules.

12. Other utility companies, including Ameren Missouri and Empire are currently in the process of rewriting their CAMs. Spire should be no different.

13. Without a revision of its CAM, the state will remain without information sufficient to determine if a regulated utility is engaging in affiliate subsidization benefitting its non-regulated affiliates, which benefits shareholders and company executives to the detriment of its ratepayers and its competitors. It is what the Commission rules require, and the Commission should deny Spire’s attempt to circumvent the reporting requirements necessary to ensure compliance with the Commission’s rules.

WHEREFORE Public Counsel requests the Commission only clarify its decision to the extent such clarification is fully supported in the record, and refrain from clarification or modification where the record does not support any change.

Respectfully submitted,

Gas Utility \$ 59.5 \$ 51.8 \$ 1.22 \$ 1.13

<https://www.last10k.com/sec-filings/0001126956/0001126956-18-000021.htm#/>

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

On this 5th day of March, 2018, I hereby certify that a true and correct copy of the foregoing motion was submitted to all relevant parties by depositing this motion into the Commission's Electronic Filing Information System ("EFIS").

/s/ Lera L. Shemwell