

**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)

**REPLY OF SPIRE MISSOURI INC. TO
OPC’S RESPONSE TO COMMISSION ORDER AND STAFF REPORT**

COMES NOW Spire Missouri Inc. (“Spire Missouri” or “Company”), on behalf of itself and its two operating units Spire East and Spire West and, pursuant to the Commission’s Order Directing Filing and Setting Response Times issued on April 24, 2019, submits this Reply to the Response to Commission Order and Staff Report filed by the Office of the Public Counsel (“OPC”) on April 30, 2019. In support thereof, Spire Missouri states as follows:

1. On April 30, 2019, OPC filed its Response to the Staff Report that was submitted on April 25, 2019 in compliance with the Commission April 24, 2019 Order Directing Filing. In its Response, OPC asserts that the Commission should either reject the Company’s ISRS filing in its entirety or exclude an additional \$13 million in ISRS costs on top of the \$14.8 million exclusion already calculated by Staff in its Report. OPC’s recommendations should be disregarded by the Commission in their entirety for the reasons discussed below.

2. First, OPC complains that its due process rights have been infringed upon by the Staff’s filing of calculations after the close of the evidentiary record in this case and suggests that the remedy for this infringement would be to disallow the Company’s ISRS request in its entirety. It even suggests that Staff was inappropriately advised in advance that it would be required to

provide such calculations. In fact, if any party has suffered a due process infringement it is the Company and the Staff, not OPC. Both the Company and Staff prepared and/or reviewed over 509 engineering/cost studies, and filed comprehensive testimony and schedules to support their position that *all costs associated with the replacement of ineligible plastic had already been excluded from the ISRS filing*. In contrast, OPC offered no quantifications whatsoever in its direct testimony and schedules to support any of its recommendations, except perhaps on the overheads issue, which was settled by the parties.

3. Given the state of the existing evidentiary record, it is the Company, not OPC, whose due process rights would be adversely affected by a post hearing calculation that, contrary to that evidentiary record, may be used to exclude nearly \$15 million in additional ISRS costs. In sharp contrast, the \$15 million cost exclusion calculated in Staff's Report would affirmatively benefit rather than prejudice OPC and the positions it has taken in these cases since OPC itself never quantified *any* amount of costs that should be excluded as a result of the plastics issue. According to OPC witness Robinett, OPC was unable to provide any quantifications for its recommendation that the Commission exclude "costs" relating to the plastic issue by using the same percentage-based method that was employed in the last ISRS cases to exclude such costs. (Ex. 200, p. 14, lines 6-13)¹ The fact that the Commission has now intervened and arranged for the Staff to submit the very quantifications that OPC failed to provide cannot possibly be viewed as a violation of OPC's due process rights.

4. OPC further undermines the sincerity of its due process complaints by proposing to further infringe on the actual due process rights of the Company with its newly quantified

¹Although Mr. Robinett expressed concerns regarding the propriety of the percentage-based method used by the Commission in the Company's last rate case to exclude costs on the plastics issue, he nevertheless suggested that it could be used again even though no party endorses its reasonableness.

adjustments relating to blanket work order costs. In the guise of responding to Staff's Report, OPC proposes to exclude an additional \$13 million in ISRS costs relating to plastic service renewals charged to the Company's blanket work orders, and to service transfers. This opportunistic and clearly invalid attempt to disallow additional ISRS dollars should be rejected by the Commission. First, if OPC believed that such costs should be excluded it had every opportunity to quantify such an adjustment during the two months prior to Staff's Recommendation, or during the subsequent two weeks before its direct testimony was due, or even possibly during its live rebuttal testimony. That would have provided the Company with at least some opportunity to rebut or explain why such an adjustment was inappropriate. OPC did not do that, however, and it is far too late in the process to do so now. To even consider, let alone adopt, such an adjustment at this stage would constitute the exact kind of violation of the Company's due process rights that OPC did not suffer but goes to such lengths to describe in its Response.²

5. In addition to being untimely, OPC's proposed adjustments are inappropriate. In the evidence submitted in this proceeding, the Company provided a detailed breakdown of blanket service line replacements, all of which are ISRS-eligible, separating them into steel, copper, or cast iron, leak repairs, those arising from corrosion inspections, and those related to copper pigtails. It removed any that were related to plastic.³ Staff reviewed in detail the thousands of jobs done under the blankets and agreed that the Company had appropriately excluded plastic that was not worn out or deteriorated. Staff's calculation has taken those exclusions into account. OPC's failure to recognize that its concerns have already been addressed may be due, in part, to

²As OPC notes at page 2 of its Response, the ability to conduct discovery, rebut the position of opposing parties, etc. are all essential due process protections. The Company would not have the benefit of any of these due process protections in the one business day it has been given to respond to OPC's proposed adjustments.

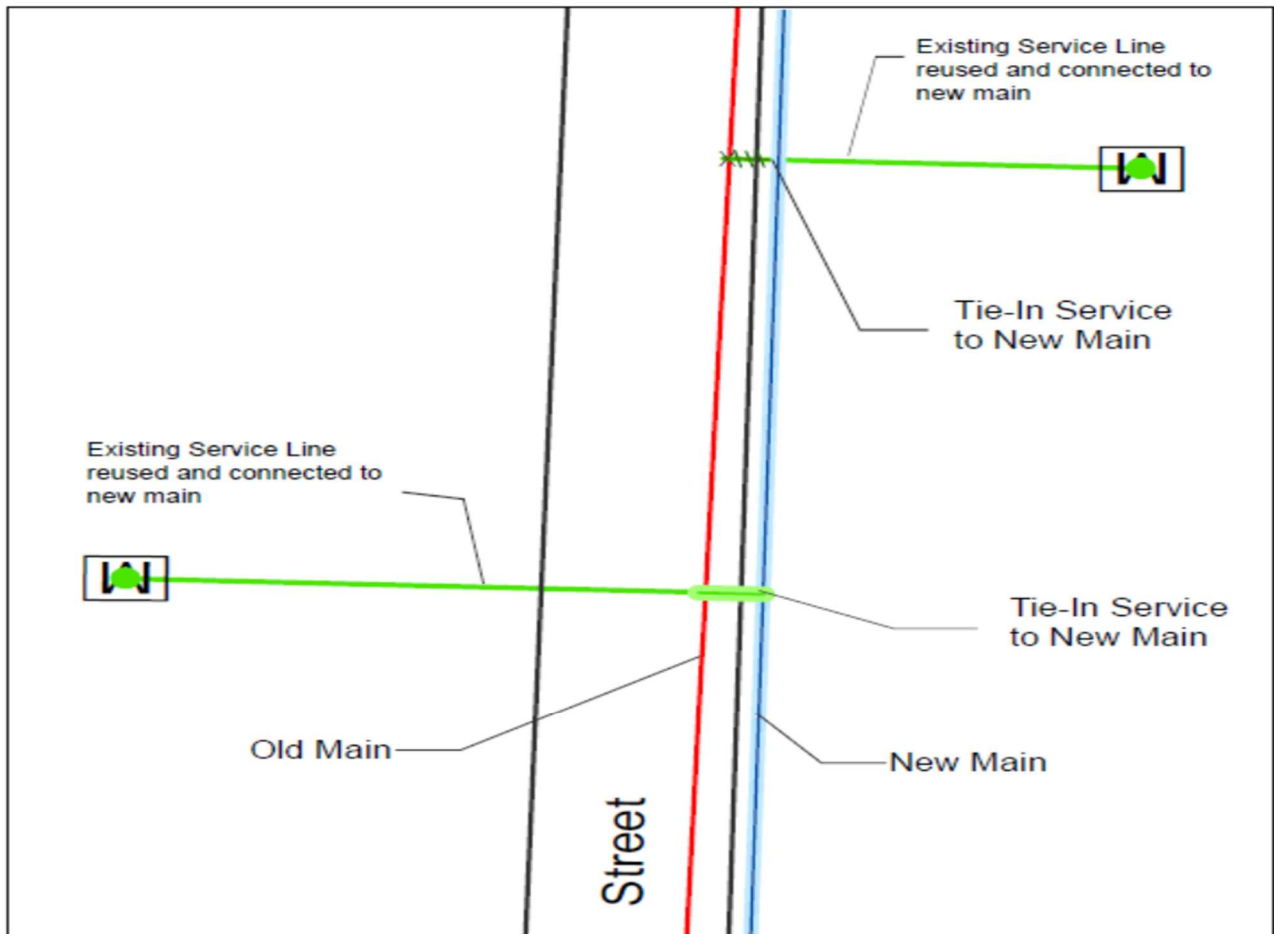
³Ex. 8, p. 6, lines 6-22.

the fact that both plastic and copper services were initially grouped under the “plastic and copper” category. The Company worked with Staff to separate out the plastic from the copper in this category.⁴ Therefore, there is simply no basis for OPC’s blanket work order adjustments even if it was proper to consider them at this late stage.

6. OPC’s contention at pages 4-5 of its Response that certain costs associated with service transfers should be excluded from ISRS recovery is even more baseless. As Company witness Atkinson testified, if a service line is to be reused so that it continues to provide service to customers, it has to be “transferred” or attached to the new main.⁵ In short, this is an unavoidable cost that must be incurred when replacing a main in order to continue service to a customer. Moreover, as demonstrated in the diagram below, because this is a situation where a plastic service is being *reused* rather than replaced, the theory that an adjustment needs to be made because non-worn out or deteriorated plastic is being replaced is simply inapplicable. In fact, according to its own tenets, the kind of activity demonstrated below, where plastic is being reused rather than replaced, is the exact kind of activity that OPC has repeatedly endorsed.

⁴ Had OPC actively participated in the process, it would have known that plastic had been separated from copper.

⁵ Tr 85, line 11 to Tr 86, line 1. The Company uses the term “service line renewal” to indicate that a service line is being replaced. The term “service transfer” means the service line is being reused, that is, the existing service line is being attached to the new main.



7. The Company would also note that while Staff applied the plastic percentage to service transfers in the Company’s last ISRS cases, there was no conceptual basis for doing so since plastic is being reused rather than replaced when service transfers are done. In short, it was an error to apply the plastic percentage to service transfers then, and it would be a clear error to do so now.

8 Finally, the Company takes special exception to OPC’s suggestion that the only remedy for the due process violation that OPC has (not) experienced is to either reject the Company’s ISRS request in its entirety or adopt OPC’s untimely and unsupported additional

adjustments. The evidence submitted by both the Company and Staff, in compliance with this Commission's explicit instructions, showed in overwhelming detail that any costs resulting from the replacement of plastic *has already been excluded*, and that the remaining costs requested are all ISRS-eligible. The appropriate "remedy" would be to rely on that evidence and permit the Company to recover its eligible ISRS costs. Under no circumstances is the appropriate remedy to exclude even more non-existent costs based on quantifications that appear nowhere in the evidentiary record. For all of these reasons, the Commission should disregard the recommendations and positions set forth in OPC's Response.

WHEREFORE, for the foregoing reasons, the Company respectfully requests that the Commission accept this Reply and disregard the recommendations made and position taken by OPC in its Response to the Staff's Report.

Respectfully Submitted,

SPIRE MISSOURI INC.

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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 United States Mail, postage prepaid, on this 1st day of May, 2019, to all counsel of record.

/s/ Rick Zucker