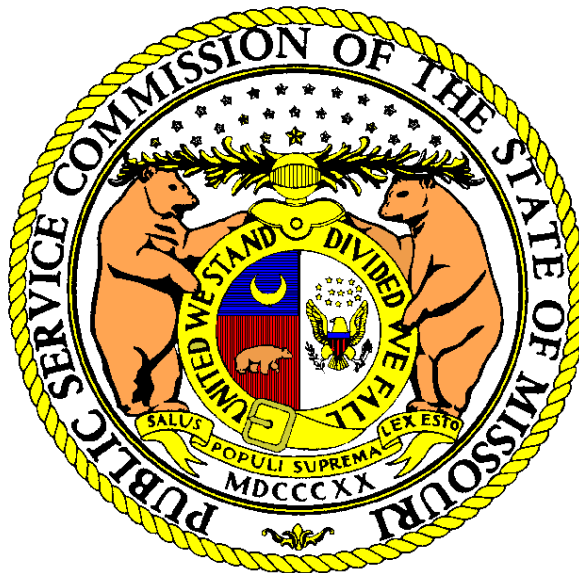


# MISSOURI PUBLIC SERVICE COMMISSION

## STAFF'S DIRECT REPORT



**SPIRE MISSOURI, INC., d/b/a SPIRE**

**CASE NO. GO-2018-0309**  
**Spire Missouri East Service Territory**

**CASE NO. GO-2018-0310**  
**Spire Missouri West Service Territory**

*Jefferson City, Missouri*  
*May 2020*





1 In its Order, the Commission denied the motion to consolidate the 2016, 2017 and 2018 remanded  
2 ISRS cases, and directed parties to file a proposal or position on how the 2018 cases should move  
3 forward and statements about the need for additional evidence. On April 29, 2020, the  
4 Commission filed an *Order Setting a Procedural Schedule Including a Limited Evidentiary*  
5 *Hearing on Remand*. In its Order the Commission stated,

6 The hearing will be held for the limited purpose of determining the costs of  
7 the cast iron and bare steel mains and service lines that were not shown to  
8 be worn out or deteriorated and the method of refunding those amounts to  
9 ratepayers. The parties may present evidence at the hearing about what that  
10 amount should be, but may not present new evidence about why cast iron  
11 and bare steel are categorically worn out or deteriorated.

## 12 **II. Auditor Review and Recommendation**

13 Consistent with the Commission's April 29, 2020 Order, Staff revised the Commission  
14 authorized revenue requirements for the 2018 cases. As part of its current review for the 2018  
15 cases, Staff reviewed an updated Blanket Work Order Model provided by Spire Missouri and  
16 additional work order authorizations. At the time of the 2018 cases, Spire Missouri was not  
17 separating the blanket work orders from the routine work orders. In order to provide a more  
18 accurate refund amount, Spire agreed to provide Staff with an updated blanket work order model  
19 for the 2018 cases using the same methodology that has been used in the most recent ISRS cases<sup>3</sup>.  
20 Staff then incorporated this model into the 2018 cases when calculating the refund amount.

21 During the 2018 cases, Staff's practice was to look only at work order authorizations over  
22 \$25,000. In the most recent ISRS cases, Staff began looking at all work order authorizations.  
23 Spire Missouri provided Staff with all of the work order authorizations for the 2018 cases and Staff  
24 incorporated them into the workpapers when calculating the refund amount. To calculate the  
25 refund amount, Staff used the workpapers that supported the Commission authorized revenue  
26 requirement in the 2018 cases. Staff then used the plastic allowance methodology that was  
27 previously approved by the Commission<sup>4</sup> to exclude cast iron, steel, and service lines that were

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<sup>3</sup> Case Nos GO-2019-0115 & 0116, GO-2019-0356 & 0357, and GO-2020-0229 & 0230.

<sup>4</sup> Commission *Report and Order* Case No. GO-2018-0309 and GO-2018-0310, page 16.

1 not shown to be worn out or deteriorated. Appendix 2, Schedule-d1 and Schedule-d2 attached to  
2 this report show the work orders, the feet of main and service lines, and percentage of pipe  
3 disallowed.

4 Consistent with the Western District Court of Appeals decision and the Commission Order  
5 limiting the evidence to be presented in the remand proceedings, Staff's recommended revised  
6 revenue requirement for Spire East (Case No. GO-2018-0309) is \$(336,881) and for Spire West  
7 (Case No. GO-2018-0310) is \$(157,987)<sup>5</sup>, as shown in Appendix 2, Schedule-d3. The revised  
8 revenue requirements exclude cast iron, steel and service lines that were not shown to be worn out  
9 or deteriorated. The remaining costs that are ISRS eligible are projects required by civic  
10 improvements, angle of repose situations, and blanket work orders.

11 The effective date of rates for Case No. GO-2018-0309 and GO-2018-0310 was October 8,  
12 2018. Since the Commission authorized revenue requirement in these cases included costs that  
13 the Court later determined were not shown to be worn out or deteriorated, the ISRS revenue  
14 requirements were overstated. Staff recommends that Spire Missouri ratepayers receive a refund  
15 for the difference in the authorized revenue requirements and the revised revenue requirements  
16 that exclude cast iron, steel and service lines that were not shown to be worn out or deteriorated.  
17 Additionally, Staff recommends applying interest to the refund amounts using a weighted interest  
18 rate based on the prime interest rate minus 2 percentage points<sup>6</sup>.

19 Staff recommends that Spire Missouri refund the excess revenues, including interest,  
20 received for the period of October 8, 2018 through the expected effective date of implementation,  
21 July 16, 2020 for the 2018 cases. The refund amount for Spire East is \$5,367,021 and for

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<sup>5</sup> Staff's recommended revised negative revenue requirements for Spire East and Spire West are a result of:  
(a) removing cast iron, steel, and service lines that were not shown to be worn out or deteriorated; and  
(b) over-collection of revenues that were previously included in the Commission authorized revenue requirements in  
Case No. GO-2018-0309 and GO-2018-0310. In these cases, Staff performed a reconciliation for Spire East and Spire  
West that resulted in quantification of a significant amount of over-collection of ISRS revenues. The over-collection  
for Spire East was \$2,717,537 and for Spire West was \$1,834,513. Less the over-collection amounts resulting from  
Case Nos. GO-2018-0309 and GO-2018-0310, Staff's recommended revised revenue requirements for those cases  
that are consistent with the Western District Court of Appeals decision, are \$2,380,656 for Spire East and \$1,676,526  
for Spire West.

<sup>6</sup> The prime rate minus 2 percentage points is consistent with Section 386.520.

1 Spire West is \$10,152,221 as shown in Appendix 2, Schedule-d3<sup>7</sup>. To implement the Court's  
2 mandates, Staff recommends that the Commission order Spire Missouri to issue the above refunds  
3 to current ratepayers via a one-time bill credit of \$7.63 for Spire East residential customers and  
4 \$17.93 for Spire West residential customers<sup>8</sup>.

5 *Staff Experts/Witnesses: Karen Lyons and Jeremy Juliette*

### 6 **III. The ISRS Rate Schedules**

7 Staff's recommended customer class allocation for the refund related to the remand in Case  
8 No. GO-2018-0309 for Spire East and Case No. GO-2018-0310 for Spire West is contained in  
9 Appendix 2, Schedule-d4. Appendix 2, Schedule-d5 shows the restated ISRS rates for the  
10 customer classes as adjusted by Staff's restated revenue requirement from the remand in Case No.  
11 GO-2018-0309 and Case No. GO-2018-0310.

12 For Spire East, the Staff's recommended one-time bill credit is based upon a total refund  
13 of \$5,367,021. For Spire West, the Staff's recommended one-time bill credit is based upon total  
14 refund of \$10,152,221. These refunds have been allocated to the customer classes using billing  
15 units from the most recent Spire rate case. (Appendix 2, Schedule-d4)

16 Since current ISRS rates contain revenue requirements from Case No. GO-2018-0309 for  
17 Spire East and Case No. GO-2018-310 that were approved prior to the remand case, a revised tariff  
18 sheet will need to be filed that reduces current ISRS rates by the amount of revenue adjusted for  
19 the impact of the remand decision. (Appendix 2, Schedule-d5)

20 Most ISRS filings utilize the most current annual report figures to establish the customer  
21 count used in the calculation of rates. However, the ISRS rates in this case are calculated based on  
22 the customer-count used in the last rate case, Case No. GR-2017-0215 for Spire East and Case No.  
23 GR-2017-0216 for Spire West. The relevant statute clearly allows for this substitution:

24 393.1015. 5. (1) The monthly ISRS charge may be calculated based on a  
25 reasonable estimate of billing units in the period in which the charge will be  
26 in effect, which shall be conclusively established by dividing the  
27 appropriate pretax revenues by the customer numbers reported by the gas

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<sup>7</sup> Staff's refund amount accrues at \$8,295 per day for Spire East and \$15,691 per day for Spire West.

<sup>8</sup> As shown in Appendix 2, Schedule-d4.

1 corporation in the annual report it most recently filed with the commission  
2 pursuant to subdivision (6) of section 393.140, and then further dividing this  
3 quotient by twelve. Provided, however, that the monthly ISRS may vary  
4 according to customer class and may be calculated based on customer  
5 numbers as determined during the most recent general rate proceeding of  
6 the gas corporation so long as the monthly ISRS for each customer class  
7 maintains a proportional relationship equivalent to the proportional  
8 relationship of the monthly customer charge for each customer class.

9 *Staff Expert/Witness: David M. Sommerer*

10 **Appendix 1 - Staff Credentials**

11 **Appendix 2 - Staff Schedules**

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

In the Matter of the Application of Spire )  
Missouri Inc. to Establish an Infrastructure ) Case No. GO-2018-0309  
System Replacement Surcharge in its Spire )  
Missouri East Service Territory )

In the Matter of the Application of Spire )  
Missouri Inc. to Establish an Infrastructure ) Case No. GO-2018-0310  
System Replacement Surcharge in its Spire )  
Missouri West Service Territory )

**AFFIDAVIT OF JEREMY JULIETTE,  
KAREN LYONS, DAVID M. SOMMERER**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COME NOW** Jeremy Juliette, Karen Lyons, David M. Sommerer, and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing *Direct Report*; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Jeremy Juliette  
Jeremy Juliette

/s/ Karen Lyons  
Karen Lyons

/s/ David M. Sommerer  
David M. Sommerer