

of Missouri, subject to the jurisdiction of the Commission. Spire Missouri serves customers in the City of St. Louis and ten counties in Eastern Missouri through its Spire East operating unit. Spire Missouri serves customers in the City of Kansas City and thirty counties in Western Missouri through its Spire West operating unit.

4. Other than cases that have been docketed at the Commission, Spire Missouri has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates.

5. Spire Missouri is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

FACTS REGARDING COVID-19

6. By this application, Spire Missouri seeks an AAO from the Commission authorizing the Company to track and defer, in a regulatory asset, all extraordinary costs and associated financial impacts (including lost revenues) related to the COVID-19 pandemic.

7. As this Commission is well aware, Governor Parson acting through the Department of Health and Senior Services (“DHSS”) has issued a series of orders closing schools, government offices and businesses to prevent the further spread of COVID-19. See DHSS Order (Apr. 3, 2020). The most recent order permits the limited re-opening of retail businesses with social-distancing and occupancy restrictions in effect until May 31, while ordering schools to remain closed. See DHSS Order (Apr. 27, 2020).

8. Businesses in Spire Missouri’s service territories have taken extreme measures to halt the spread of the pandemic. Manufacturing plants have closed on both sides of the state. All Missouri K-12 schools and institutions of higher learning have been

closed for the academic year. A variety of retail and entertainment venues and events including retailers, theaters, concerts, sporting events, and casinos in Spire Missouri's service territory, and throughout the country, will continue to be closed or greatly limited in operation for the duration of the stay-at-home orders, and perhaps longer. These business contractions and closures as a result of the pandemic have reduced Spire Missouri's revenues and will continue to do so for an unknown period of time.

9. A number of Missouri local governments have designated electricity, natural gas and related energy businesses as "essential" and have issued stay-at-home or shelter-in-place orders affecting virtually all aspects of the local economy that are significantly more restrictive and cover a longer period of time than Governor Parson's order. See St. Louis City Public Health Order #8 (May 11, 2020) (unlimited duration), St. Louis County Department of Public Health Order (May 8, 2020) (unlimited duration), Sixth Amended Order 20-01, City of Kansas City (May 11, 2020) (effective through May 31, 2020); Fourth Amended Declaration and Order, City of St. Joseph (Apr. 30, 2020) (effective through May 31, 2020).

10. Recent reports indicate the economic consequences of these and similar orders, including the national unemployment rate rising to 14.7% as of May 8, 2020¹. Missouri unemployment appears to be mirroring this national trend.

11. The Commission has properly recognized the essential nature of Missouri's utilities and their employees. In its letter of March 27, 2020, the Commission urged all local officials to recognize that utility workers are "indispensable to ensuring Missouri's citizens receive safe and reliable access to water, heat, power and information" in order "to

¹ <https://www.bls.gov/news.release/pdf/empst.pdf>

fight the spread of COVID-19” and “to designate utility workers as essential.” On March 30, 2020 the Commission issued a Media Advisory (PR-20-136) which circulated a March 19 advisory memorandum from the Department of Homeland Security’s Cybersecurity & Infrastructure Security Agency that lists energy workers, among others, as “essential to continued critical infrastructure viability.”

12. Consistent with the Commission’s statements and its orders in other Missouri utility proceedings, Spire Missouri has suspended disconnections related to non-payment and has suspended the accumulation of interest and late fees related to non-payment through at least May 31, 2020 for all but its largest business customers. Spire Missouri is offering customers flexible payment arrangements and working case-by-case with residential and small commercial customers on payment arrangements as needed. As a result of these actions and the economic impact the pandemic is having on customers’ ability to pay bills generally, arrearages have increased over normal historical levels and will continue to rise, and Spire Missouri expects this to result in materially higher bad debt expense. Spire Missouri is also exploring the development of new options for implementing programs to assist customers affected by the pandemic who are making good faith efforts to make payments. The costs of such programs should also be deferred for consideration in the next rate case because it is expected to lower overall costs of operations related to disconnections, as well as mitigate the potential for increased bad debt expense.

13. As a result of shelter-at-home orders in Missouri, Illinois, and Kansas, many of Spire Missouri’s employees are working from home. Spire Missouri has incurred incremental costs in order to provide the necessary technology and supplies needed for those employees to work from home. Spire Missouri is also implementing social distancing

procedures, health screenings, and additional cleaning and protective supply measures to protect employees who must physically be present at work. Additionally, for critical employees who are necessary to keeping the natural gas distribution system running – such as gas control operators – Spire Missouri has prepared for the possible sequestration of those employees at their respective work locations in order to keep them healthy and allow them to maintain the reliability of the system

14. It is likely that there will be other costs incurred related to the COVID-19 pandemic that Spire Missouri has not yet identified or anticipated. Conversely, certain costs will be reduced due to the pandemic, such as external travel and training which Spire Missouri will reflect as reductions to the balances tracked and deferred in the proposed regulatory asset.

LEGAL AUTHORITY

15. The Commission has broad authority under Section 386.310.1 to issue “general or special orders” to public utilities “to maintain and operate” their systems, equipment and premises “in such manner as to promote and safeguard the health and safety of its employees, customers, and the public.” The Commission “may waive the requirement for notice and hearing and provide for expeditious issuance of an order” where it “determines that the failure to do so would result in the likelihood of imminent threat of serious harm to life or property.” Such an order “shall include ... an opportunity for hearing as soon as practicable after” its issuance.

16. In evaluating what actions should be taken regarding unexpected costs incurred as a result of extraordinary and unusual events, the Commission follows its interpretation of the guidance of the Uniform System of Accounts (“USOA”), 18 C.F.R.

Part 201, which Missouri natural gas utilities are required to follow under 20 CSR 4240-40.040(1).4 General Instruction 7 of the USOA states that “extraordinary items” relate to the “effects of events ... which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be considered extraordinary items.” These events must be “of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future. The current COVID-19 pandemic meets this definition squarely.

17. The Commission has previously issued AAO’s for costs “caused by unpredictable events, acts of government and other matters outside the control of the utility or the Commission.” In the matter of St. Louis County Water Company’s Tariff Designed to Increase Rates, MoPSC Case No. WR-96-263, p. 13 (December 31, 1996).

18. The Commission also has the power to prescribe methods of accounting under Section 393.140(4) and to order the accounts “in which particular outlays and receipts shall be entered, charged or credited” under Section 393.140(8).

19. The Commission has recognized that it is appropriate to allow a utility to defer into a regulatory asset those costs that are associated with providing reliable service during extraordinary events, such as extreme weather events. In re Empire Dist. Elec. Co., No. EU-2011- 0387, Order Approving Stipulation & Agmt. at 2-4 (Nov. 30, 2011) (Joplin tornado); In re Union Elec. Co., No. EU-2008-0141, Order Approving Stipulation & Agmt. (Apr. 30, 2008) (ice storm).

20. The Commission has previously allowed Missouri Gas Energy (now Spire West) to defer and amortize such extraordinary costs, including carrying charges, that are

incurred to deal with the effects of natural disasters. In re Southern Union Co., Report & Order at 26, No. GU-2011-0392 (Jan. 25, 2012) (Joplin tornado). This treatment allows utilities the opportunity, but not a guarantee, to recover prudently incurred expenses from customers in a future rate case. Missouri Gas Energy v. PSC, 978 S.W.2d 434, 437 (Mo. App. W.D. 1998).

21. Both the Commission and the Court of Appeals have recognized that it is appropriate for a utility “to book incremental changes in revenues and expenses” to an AAO that were caused by an emergency amendment to the Cold Weather Rule. State ex rel. Mo. Gas Energy v. PSC, 210 S.W.3d 330-335-36 (Mo. App. W.D. 2006). Such changes can relate to the financial impacts caused by service reconnections or disconnections, or bad debt that would be accounted for as a regulatory asset for consideration by the Commission in a rate case. *Id.* at 333.

22. The Commission, as well as the Court of Appeals, have also recognized that revenues not collected by a utility to recover its costs can be an item that may be deferred and considered for later ratemaking where an electric utility lost its largest customer for 14 months as a result of an ice storm that struck southeast Missouri. In re Union Elec. Co., Report & Order at 3-4, No. EU-2012-0027 (Nov. 26, 2013). See State ex rel. Union Elec. Co. v. PSC, 399 S.W.3d 467, 489 (Mo. App. 2013).

23. Utilizing these same principles, a number of other states have authorized regulatory assets for utilities to defer impacts related to COVID-19, including Arkansas, California, Connecticut, Georgia, Hawaii, Iowa, Louisiana, Maryland, Mississippi, Nevada, Pennsylvania, Texas, Virginia, and Wisconsin, as well as the District of Columbia.

24. Other states, including Missouri have taken varying steps to address the real issues facing utilities impacted by COVID-19. To that end, the Company appreciates the Commission's order opening a working case to consider best practices for recovery of past-due customer payments after the COVID-19 pandemic and Spire will be an active participant in that workshop. Illinois ordered its utilities to track all COVID-19 related expenses to enable future review of the reasonableness and prudence of such expense. Alaska's legislature is considering legislation that would allow the creation of a regulatory asset. Arizona initiated proceedings to track financial impacts of COVID-19 on utilities and customers. Delaware PSC staff filed a motion requesting the PSC authorize regulated utilities to establish a regulatory asset for COVID-19 costs. Idaho adopted the staff's proposal to open a docket to evaluate COVID-19 impact on utilities. The Maine PUC is seeing input on how the pandemic will impact utilities and customers. Massachusetts has docket to look at COVID-19 impacts. Michigan requested utilities supply PSC with categories of COVID-19 costs and potential savings. Minnesota opened a general inquiry for issues related to financial impacts associated with COVID-19. .

25. The Maryland Commission stated:

The Commission acknowledges the potential for significant financial implications that compliance with these emergency orders may have on Maryland Utilities and service providers. Consequently, in light of the extraordinary circumstances and in an effort to minimize adverse financial impacts to Maryland Utilities, the Commission authorizes each Utility to create a regulatory asset to record the incremental costs related to COVID-19 prudently incurred beginning on March 16, 2020, by the Utility to ensure that Maryland residents have essential utility services during this period. The Commission finds that the creation of the regulatory asset for COVID-19-related expenses will facilitate the recovery of those costs prudently incurred by the Utilities in their efforts to serve customers during this period, and the Commission finds that deferral of such costs is appropriate because the current catastrophic health emergency is outside the control of the Utility and a non-recurring event. Such incremental costs shall also include any assistance or benefit received by the Utilities in connection with

COVID-19, regardless of form, that would offset any COVID-19-related expenses.²

26. On March 26, 2020 the Wyoming Public Service Commission recognized that the majority of its utilities, like Spire Missouri, have suspended “discontinuation of service, imposition of late charges and similar rules ... to mitigate the negative effects on customers of the public health emergency related to the COVID-19 virus.” Holding that applications to take such measures were “not reasonable or necessary under these circumstances” as they “would delay actions beneficial to customers,” it declared: “Public utilities that anticipate applying for the authority to recover, through rates, any foregone revenue or extraordinary costs related to [such] actions ... shall file an application to establish a deferred accounting order.” See Order Authorizing Suspension of Certain Tariff Rules at 2, *In re Commission’s Consideration on its own Motion of a Temporary Grant of Auth.*, Docket No 90000-151-XO-20 (Wyo. P.S.C., Mar. 26, 2020).

27. The Connecticut Public Utilities Regulatory Authority recently allowed its utilities to establish regulatory assets to track incurred COVID-19 incurred costs, and requiring them “to maintain a detailed record of costs incurred and revenues lost” as a result of implementing a COVID-19 Payment Program. See Interim Decision, *In re Emergency Petition of Att’y Gen. to Establish a State of Emergency Util. Shut-off Moratorium*, Docket No. 20-03-15 (Conn. Public Util. Regul. Auth., April 29, 2020).

28. The Texas Public Utility Commission recently “authorized[d] each electric, water, and sewer utility to record as a regulatory asset expenses resulting from the effects of COVID-19, including but not limited to non-payment of qualified customer bills”

² *In re State of Emergency and Public Health Emergency in the State of Maryland due to COVID-19*, Case No. 9639, Order Authorizing Establishment of a Regulatory Asset for COVID-19 related Incremental Costs at 2-3 (Md. P.S.C., Apr. 9, 2020).

See Order related to Accrual of Regulatory Assets, Issues related to the State of Disaster for the Coronavirus Disease 2019, Project No. 50664 (Tex. P.U.C., Mar. 26, 2020) (emphasis added).

29. The Federal Energy Regulatory Commission (“FERC”) has also recognized the substantial financial impact the COVID-19 pandemic is having on utilities and the fact that “the reliability and security of our Nation’s vital energy infrastructure” are “critical to meeting the energy requirements essential to the American people.”³ FERC committed to expeditiously process any requests for cost recovery, stating:

Entities regulated by the Commission have had to take unprecedented actions in response to the emergency conditions, including directing staff to work remotely for an extended period, which may disrupt, complicate, or otherwise change their normal course of business operations. In light of the President’s proclamation, the Commission believes it is appropriate to provide regulatory guidance on certain energy infrastructure, market, reliability and security matters. We understand that regulated entities may need to implement new procedures, update and/or suspend existing procedures, and take other measures to safeguard the business continuity of their systems. We are aware that such regulated entities may have questions about their ability to meet regulatory requirements and/or recover the expenses necessary if they take steps to safeguard the business continuity of their systems during the national emergency.⁴

APPLICATION FOR AAO

30. The circumstances that exist in conjunction with the COVID-19 pandemic clearly meet the Commission’s standard for approval of an accounting authority order. As FERC and multiple other state commissions have recognized, the existence of such a public health emergency is an extraordinary event that is outside the utilities’ control and will have substantial financial impacts on utilities, including Spire Missouri. The COVID-19

³ Business Continuity of Energy Infrastructure, Statement of Policy, 171 FERC ¶ 61,007 (Apr. 2, 2020) .

⁴ Id.

pandemic has caused Spire Missouri to incur extraordinary costs that are not currently included in base rates and those extraordinary costs will continue to be incurred for an undetermined period of time into the future.

31. Although Spire Missouri may experience some areas where its costs are reduced, some of those cost reductions will automatically flow through to customers. Where Spire Missouri experiences reductions in costs as a result of COVID-19 that are not automatically passed on to customers, Spire Missouri will track those reductions as a credit to the amounts tracked and deferred in the proposed regulatory asset.

32. While there is not substantial Commission precedent for the deferral of lost revenues, it is appropriate in this instance given the extraordinary circumstances that exist as a result of the COVID-19 pandemic, including the government-ordered shut-down of businesses discussed above, suspension of legislative bodies, and the substantial financial impact the pandemic is having and is expected to have over an unknown period of time on the utility sector. For example, on April 2, 2020, partly influenced by coronavirus-related concerns, S&P Global Ratings lowered its outlook for the North American regulated utility sector to “negative” from “stable.” The credit markets, credit rating agencies, and investors are closely watching the actions state commissions take to support the financial strength of the utilities they regulate, including in particular the availability of extraordinary rate recovery for pandemic-related expenses.

33. Therefore, Spire Missouri requests an AAO permitting it to identify, track, document, accumulate, and defer in a regulatory asset from March 1, 2020 forward regarding: (1) its actual reasonable and prudently incurred costs related to the COVID-19 pandemic, including but not limited to (a) new or incremental operating and maintenance

expense related to protecting employees and customers, and to plan for and communicate about impacts of the pandemic, (b) increased bad debt expense to the extent it exceeds levels included in the cost of service, (c) costs related to preparing for and any actual sequestration of employees, and (d) costs related to new assistance programs implemented to aid customers with payment of natural gas bills during the pandemic; (2) lost revenues related to the COVID-19 pandemic; (3) less costs avoided related to COVID-19; and (4) carrying costs. These items will be tracked and deferred for consideration by the Commission for rate recovery in the Company's next general rate case. Carrying costs will be calculated using Spire Missouri's cost of capital, exclusive of related taxes, as determined in its most recent rate case.

34. It is unknown at this time how long the extraordinary impacts associated with COVID-19 will continue. However, Spire Missouri agrees to track all specific expenses and financial impacts, including revenue degradation, it includes in the regulatory asset, and to retain all appropriate documents supporting those calculations for the Commission's consideration in its next general rate case.

35. Spire Missouri will also track all offsets to the cost increases it has experienced associated with the COVID-19 pandemic and will reduce the amount of the regulatory asset by any cost reductions. Such offsets will likely include reduction in travel costs and reduction in utility and other costs at Spire Missouri's offices..

36. Spire Missouri further agrees to file an annual report at the end of its fiscal year, with the first report filed no later than December 31, 2020, and no later than December 31 for each succeeding year until its next general rate case filing, setting forth its costs incurred and revenues lost relating to COVID-19 during the preceding calendar year.

37. In future rate cases the Commission will have a full opportunity to review COVID-19 expenses and lost revenues for prudence and accuracy, as well as to consider other issues such as the appropriate form and time of recovery (i.e., amortization period) for any approved amount of regulatory assets.

38. Spire Missouri requests that the Commission schedule a procedural conference soon after the intervention period closes in this case for the purpose of allowing the parties to discuss whether the requests in this Application may be resolved by agreement and whether a procedural schedule is needed.

REQUEST FOR WAIVER

22. Commission Rule 20 CSR 4240-4.017(1) provides, in part, as follows:

Any person that intends to file a case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case. Such notice shall detail the type of case and issues likely to be before the commission and shall include a summary of all communication regarding substantive issues likely to be in the case between the filing party and the office of the commission that occurred in the ninety (90) days prior to filing the notice.

Rule 20 CSR 4240-4.017(1)(D) permits a party to request a waiver of the above cited rule for good cause. The rule provision specifically provides that good cause may be established by submitting a verified declaration that the filing party has had no communication with the office of the commission within the prior one hundred fifty (150) days regarding any substantive issue likely to be in the case. The Company interprets this to mean that good cause is established if the filing party has had no communication with a member of the office of the Commission outside of pleadings or other public communications. Subject to that understanding, the Company has attached to this request a verified declaration that neither the Company nor any person or entity acting on behalf

of the Company or its Missouri operating units, has had a communication with a member of the office of the commission in the last 150 days regarding any substantive issues relating to a deferral mechanism likely to arise in the case. For that reason, the Company requests that the Commission grant a waiver of the 60-day notice requirement for Spire Missouri's application for financing authority.

WHEREFORE, Spire Missouri, the Applicant herein, respectfully requests that the Commission issue its Order: (a) granting it the authority to track and defer in a regulatory asset all incremental expenses and other financial impacts specifically including lost revenues related to the COVID-19 pandemic, and (b) waiving for good cause the 60-day notice requirement of 20 CSR 4240-4.017(1)(D).

Respectfully submitted,

SPIRE MISSOURI INC.

By: /s/ Matthew Aplington
Matthew Aplington MoBar#58565
General Counsel
Spire Missouri Inc.
700 Market Street
St. Louis, MO 63101
(314)- 342-0785 Office
Matt.Aplington@spireenergy.com

Goldie Bockstruck MoBar# 58759
Director, Associate General Counsel
Spire Missouri Inc.
700 Market Street
St. Louis, MO 63101
(314) 356-1568
Goldie.Bockstruck@spireenergy.com

Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing Verified Application of Spire Missouri Inc. was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 18th day of May 2020 by hand-delivery, e-mail, fax, or by placing a copy of such document, postage prepaid, in the United States mail.

/s/ Matthew Aplington

