

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

In the Matter of Laclede Gas Company’s ) **File No. GR-2017-0215**  
Request to Increase Its Revenues for Gas Service ) Tariff No. YG-2017-0195

In the Matter of Laclede Gas Company d/b/a ) **File No. GR-2017-0216**  
Missouri Gas Energy’s Request to Increase Its ) Tariff No. YG-2017-0196  
Revenues for Gas Service )

**SPIRE MISSOURI’S REQUEST FOR HEARING**

COMES NOW Spire Missouri Inc. (f/k/a Laclede Gas Company and referred to herein as “Spire Missouri” or “Company”), on behalf of its operating units Spire Missouri East (referred to herein as “LAC”) and Spire Missouri West (f/k/a Missouri Gas Energy and referred to herein as “MGE”) and requests that the Commission hold a hearing in this case on February 5, 2018 or such other date as the Commission may order. In support thereof, Spire Missouri states as follows:

1. On January 18, 2018, the Commission issued an Order (the “Order”) directing the Company to file an affidavit by January 22 explaining the specific adjustments to rates that would be needed to account for the Tax Cuts and Jobs Act (the “Tax Law”). The Order provided an opportunity for response by January 25. It also allowed any party to request a hearing by that date, and reserved February 5, 2018 at 9:00 a.m for that purpose.

2. On January 22, 2018, Spire Missouri filed its Response along with the required affidavit. In the Response the Company suggested that, even though the Tax Law change is taking place well after the end of the rate case true-up period, it has the right to voluntarily permit Tax Law benefits to flow through to its customers as part of a reasonable, overall resolution of these rate cases.

3. The Company further noted that the amount of the Tax Law benefit is dependent upon a number of factors, including the Commission decisions on key issues in the rate case.

The Company believes that the key issues include, among others, capital structure, rate base items and undue exposure to weather and conservation.

4. It is the Company's hope that the Commission can reach a balanced resolution of these issues. However, the fact that such issues have not yet been resolved adds uncertainty to the task of providing an accurate estimate of the effects of the Tax Law. To assist in resolving those uncertainties, the Company believes it may be helpful to explain and clarify the assumptions made by the Company on a few of the more significant elements. These matters are not being reargued, but merely summarized below.

5. Permanent Capital Structure. Spire Missouri supported its actual utility capital structure of 54.2% equity, and 45.8% long-term debt. Staff and OPC/MIEC made different arguments that both ended up with equity 7-9% below the Company. Staff used the parent company capital structure and imputed a 3-year average of short-term debt to arrive at equity of 45.56%. OPC and MIEC removed equity from the capital structure in the amount of the goodwill asset Spire Missouri recorded when it purchased MGE, resulting in 47.2% equity. Using MIEC's capital structure would effectively lower the Company's ROE by about 0.9%. The Company calculated its new tax expense using its own actual capital structure.

6. Financing of Gas Storage Inventories ("GSI"). Based upon recent gas prices, MGE has roughly \$40 million in GSI. MGE and other Missouri LDCs carry GSI in rate base, where it earns a weighted average cost of capital (WACC) rate of return, but that rate cannot be adjusted for increases in gas cost or interest rates. LAC has \$80 million in GSI in the PGA, where it is financed at a short-term debt rate that adjusts with movements in short-term interest rates (e.g. the prime rate). In this case, LAC sought to move its GSI into rate base, like MGE. Staff and OPC argued, in surrebuttal, that if LAC's GSI is included in rate base, the Commission should insert short-term debt into Spire Missouri's capital structure in the total amount of

LAC's and MGE's GSI. This would effectively assign a short-term debt rate to both LAC's and MGE's GSI without the ability to adjust short-term rates as they change. Lower return with higher risk - a bad combination from the Company's perspective. The Company assumed LAC's GSI in rate base at the overall WACC and no imputation of short-term debt for the purposes of calculating the Tax Law effect. If the Commission is not inclined to provide this treatment, however, Spire Missouri prefers to withdraw its proposal and return to the status quo, where LAC's GSI stays in the PGA.

7. Prepaid Pension Asset. Staff and Spire Missouri both agree that the Company has accumulated a \$131.4 million asset since the 1994-96 timeframe, which is provided rate base treatment and financed at the WACC. The parties also agree to an eight-year amortization of the asset. The parties disagree over the \$28.8 million prepaid pension asset that accrued from pre-1996 investments in management and union pension benefits. Spire Missouri believes that it is a legitimate regulatory asset that should be recovered. Staff argues that the Company is not entitled to recover the asset in rates. The dispute has persisted for more than 20 years, and an adverse decision could lead to a large write-off. In calculating the Tax Law benefit, Spire Missouri assumed the legacy pension asset was in rate base with the rest of the pension asset, resulting in a \$160.2 million pension asset. As we noted, if the Commission is not inclined to approve this, Spire Missouri is amenable to recover the \$28.8 million asset over a period of up to 20 years.

8. Spire Missouri appreciates the opportunity to have a hearing on the Tax Law issue. The Company hopes this short clarification of its positions on certain significant matters was helpful to the Commission in resolving these uncertainties. The Company will have personnel available at the hearing to answer any questions the Commission may have on these issues or other issues in the case.

9. Finally, Spire Missouri recognizes the strain placed on the RLJ and the Commissioners to decide a large number of issues in a very compressed period. The Company will also be challenged to timely complete all of the compliance tariffs, and have them reviewed and approved by Staff. The challenge will be particularly difficult if a more reasonable version of a weather normalization adjustment is not approved, as we will need to make several tariff changes to the customer-friendly and simplified rate design, as well as customer programs, we proposed in this case and which were interwoven with the concept of either an RSM or WNA. Without these programs, the Company would need to revive the higher customer charge that accompanies LAC's more complex weather mitigated rate design, and would need to also implement that rate design for MGE.

10. On top of this, the addition of the Tax Law issue has exacerbated the situation. Spire Missouri would not oppose an extension in the date for new rates from March 8 to March 29 to accommodate these complications; however, the Company believes the Commission's decision should remain effective as of March 8.

**WHEREFORE**, for the foregoing reasons, Spire Missouri Inc. respectfully requests that the Commission grant this request for hearing.

Respectfully submitted,

**/s/ Rick E. Zucker**

Rick E. Zucker, MBN 49211  
Associate General Counsel  
700 Market Street, 6th Floor  
St. Louis, MO 63101  
(314) 342-0533 (telephone)  
(314) 421-1979 (fax)  
E-mail:[rick.zucker@spireenergy.com](mailto:rick.zucker@spireenergy.com)

**/s/ Michael C. Pendergast**

Michael C. Pendergast, MBN 31763  
Of Counsel, Fischer & Dority, P.C.  
423 Main Street

St. Charles, MO 63301  
(314) 288-8723 (telephone)  
E-mail:[mcp2015law@icloud.com](mailto:mcp2015law@icloud.com)

James M. Fischer, MBN 27543  
Larry W. Dority, MBN 25617  
Fischer & Dority, P.C.  
101 Madison Street, Suite 400  
Jefferson City, MO 65101  
Telephone: (573) 636-6758  
Facsimile: (573) 636-0383  
Email: [jfischerpc@aol.com](mailto:jfischerpc@aol.com)  
Email: [lwdority@sprintmail.com](mailto:lwdority@sprintmail.com)

ATTORNEYS FOR SPIRE MISSOURI INC.

**CERTIFICATE OF SERVICE**

I certify that a true and correct copy of the foregoing was served electronically, or hand-delivered, or via First Class United States Mail, postage prepaid, on all parties of record herein on this 25th day of January, 2018.

**/s/ Marcia Spangler**