

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

In the Matter of Spire Missouri, Inc.’s d/b/a)	
Spire Request for Authority to Implement a)	
General Rate Increase for Natural Gas)	File No. GR-2021-0108
Service Provided in the Company’s)	
Missouri Service Areas)	

PARTIAL STIPULATION AND AGREEMENT

COME NOW Spire Missouri Inc., d/b/a Spire (“Spire” or “the Company”) and the Staff of the Missouri Public Service Commission (“Staff”), (collectively, “the Signatories”) by and through counsel, and file this *Partial Stipulation and Agreement*, to resolve certain issues in this case and respectfully state as follows:

BACKGROUND

1. On December 11, 2020, Spire Missouri Inc. d/b/a Spire filed a Request for Authority to Implement a General Rate Increase with the Missouri Public Service Commission.
2. After several discussions, the Signatories have reached a *Partial Stipulation and Agreement* (“Agreement”) resolving issues related to pension costs, Other Post-Employment Benefits (“OPEB”), and property tax in this case among the Signatories.
3. Midwest Energy Consumers Group (“MECG”), Missouri Industrial Energy Consumers (“MIEC”), Consumer Council of Missouri (“CCM”), the Missouri School Board Association (“MSBA”), Vicinity Energy Kansas City, Legal Services of Eastern Missouri (“LSEM”), National Housing Trust (“NHT”), Renew Missouri, and the Office of the Public Counsel (“OPC”) are not signatories to this Agreement. However, counsel for each have stated they have no objection to this Agreement.

AGREEMENT AMONG THE SIGNATORIES

Pensions and Other Post-Employment Benefits

4. The purpose of this section of the document is to define the ratemaking treatment applicable to pension costs and Other Post-Employment Benefits (“OPEB”) for Spire Missouri East and Spire Missouri West in accordance with prior stipulations and agreements in Case Nos. GR-2013-0171 and GR-2014-0007.

5. The Signatories agree that, unless explicitly defined herein, this document does not prevent Staff or the Company from recommending alternative treatment of any aspect of pension and OPEB costs in any future rate case.

6. The funds provided for pensions and OPEB in the cost of service are designated specifically for reasonable and prudently incurred pensions and OPEB costs and will be tracked and reconciled in future proceedings. The mechanism of recovery through rates for both pensions and OPEB costs is a tracking mechanism of the cash collected and the cash utilized for pension and OPEB funding. The overall goal of this tracking mechanism is to ensure exact recovery of pension and OPEB costs. For the purposes of this *Partial Stipulation and Agreement*, it is assumed that the amount established in rates is the exact amount collected by the Company, and the amounts of amortizations are also the exact amounts collected by the Company. Amounts recovered in rates that are more than actual cash payments create overfunding by customers and shall be returned to customers subsequently in the ratemaking process. Amounts recovered in rates that are less than actual cash payments create underfunding by customers and shall be recovered by the Company subsequently in the ratemaking process. To accomplish the objectives above, the Signatories agree to the following.

7. Spire Missouri shall continue to be authorized to record as a regulatory asset or liability, the difference between the pension expense used in setting rates for Spire Missouri East

(\$32,400,000) and Spire Missouri West (\$4,400,000) (amounts stated before the application of transfer rates) and the pension expense as recorded for financial reporting purposes as determined in accordance with GAAP pursuant to Accounting Standards Codification (ASC) 715 (previously FAS 87 and FAS 88, or such standard as the FASB may issue to supersede, amend, or interpret the existing standards), and such difference shall be recovered from or returned to customers in future rates. The difference between the amount of pension expense included in Spire Missouri East's and Spire Missouri West's rates and the amount funded by each in accordance with ERISA minimums shall be included in their respective rate bases in future rate proceedings.

8. The Company shall continue to be allowed rate recovery for contributions it has made and will make to its pension trust that exceed the ERISA minimum for any of the following reasons:

- a the minimum required contribution is insufficient to avoid the benefit restrictions specified for at-risk plans pursuant to the Pension Protection Act of 2006, thereby causing an inability by the Company to pay out pension benefits to recipients in its normal and customary manner, including lump sum payments; and
- b the minimum required contribution is not sufficient to avoid any Pension Benefit Guarantee Corporation ("PBGC") variable premiums.

Additional contributions made pursuant to this Paragraph will increase Spire Missouri East and Spire Missouri West's rate base by increasing the prepaid pension asset and/or reducing the accrued liability, and will receive regulatory treatment as described in this section. The Company shall inform the Staff and OPC of contributions of additional amounts to its pension trust funds pursuant to this Paragraph in a timely manner.

9. The revenue requirement recovered in rates includes an allowance to amortize the May 31, 2021 balance of Spire Missouri East and Spire Missouri West's prepaid pension asset/liability of \$10,962,916 and (\$1,066,550) [negative], respectively (amounts stated before the application of transfer rates). Such an allowance is based on an 8-year amortization of a prepaid pension balance of \$87,703,330 for Spire Missouri East, and a prepaid pension balance of (\$8,532,403) [negative] for Spire Missouri West as of May 31, 2021. The prepaid pension balances shall be included in the respective rate bases of Spire Missouri East and West. In the event the amortizations of the asset or liability becomes fully amortized between rate cases, the amount included in rates between the date it became fully amortized and the effective date of rates in the next rate case shall be returned to shareholders or ratepayers, as appropriate. After new rates go into effect, the Company will begin tracking the pension asset/liability in two layers in the accounting records 1) balances noted above will be tracked as "PRE-GR-2021-0108" 2) balances that occur from future contribution levels will be tracked as "POST GR-2021-0108." The purpose of the additional level of tracking is to provide more visibility into the unamortized balances associated with activity that occurred over many years in the past versus balances that result from future activity.

10. The provisions of ASC 715 (previously FAS 158) require certain adjustments to the prepaid pension asset/Other Post-Employment Benefits asset and/or accrued liability with a corresponding adjustment to equity (i.e., decreases/increases to Other Comprehensive Income). The Company will continue to be allowed to maintain a regulatory asset/liability to offset any adjustments that would otherwise be recorded to equity caused by applying the provisions of ASC 715 or any other FASB statement or procedure that requires accounting adjustments to equity due to the funded status or other attributes of the pension or OPEB plans. The adjustments described in this paragraph will not increase or decrease rate base.

11. The Company shall continue to be authorized to revert to the accounting policy it originally implemented upon adoption of FAS 87, for financial reporting purposes only, effective October 1, 2002, including without limitation:

- a Market-Related Value implemented prospectively over a four-year period;
- b Amortization of unrecognized gains or losses only to the extent that they fall outside of a 10% corridor as described in FAS 87 and FAS 106; and
- c Amortization of unrecognized gains or losses falling outside of the 10% corridor over the average remaining service life of participants.

12. Gains and losses for all pension lump-sum settlements shall continue to be calculated only to the minimum extent permitted by ASC 715 (previously FAS 88).

13. The rates resulting from this case also make provision for the recovery of OPEB costs on an ASC 715 (previously FAS 106) basis. The Company shall continue to be authorized to apply its accounting policy for OPEBs consistent with ASC 715 (previously FAS 87) for pensions, for financial reporting purposes, as was initially effective October 1, 2002. The rates established in this case for ASC 715 (previously FAS 106) expenses include an allowance of \$0 for Spire Missouri East and \$0 for Spire Missouri West (amounts stated prior to application of transfer rate). The Company will fund the trusts based on ASC 715 (previously FAS 106) as calculated for financial reporting purposes. The difference between the amount of OPEB expense included in the rates of Spire Missouri East and Spire Missouri West and the amount funded by them shall be recorded in a regulatory asset/liability, as appropriate, and such difference shall be recovered from or returned to customers in future rates and included in rate base in future rate proceedings. The Company may consider the funded status of the OPEB trusts in determining the allocation of contributions to the trusts. The rates recommended herein include an allowance to amortize the May 31, 2021 balance of Spire Missouri East and Spire Missouri West's prepaid OPEB asset of

\$88,186 and (\$117,944) [negative] respectively (amounts stated before the application of transfer rates). Such an allowance is based on an 8-year amortization of Spire Missouri East's prepaid OPEB balance of \$705,491 and Spire Missouri West's prepaid OPEB balance of (\$943,550) at May 31, 2021.

14. In the event that ASC 715 (previously FAS 106) OPEB expense becomes negative, the Company shall set up a regulatory liability to offset the negative expense. In future years, when such expense becomes positive again, the amount in rates will remain zero until the prepaid asset, if any, which was created by the negative expense, is reduced to zero. The regulatory liability will be reduced by the same rate as the prepaid asset. This regulatory liability is a noncash item and should be excluded from rate base in future years.

15. A portion of the annual expense established for setting rates of (\$36,800,000) will be allocated to affiliates consistent with the allocation methods ordered by the Commission in this case, and therefore Spire Missouri will receive reimbursement for these amounts monthly through the allocation process. If fiscal year cash contributions exceed the amount above, those amounts will be tracked for the purposes of calculating a rate of return due to Spire Missouri from other affiliates. This calculation should be performed quarterly and any amounts due to Spire Missouri reimbursed in the following month. See attachment MS excel file "Pension Tracker Exhibits – GR-2021-0108" for illustration of this calculation.

16. The Company shall, for book purposes, be authorized to continue to normalize the income tax timing differences inherent in the recognition of pension costs, OPEB costs, and as discussed above by recording and recognizing in any future rates deferred income tax expense for such differences.

Property Taxes

17. The Signatories agree on the Missouri property tax regulatory asset balance for this case measured at December 31, 2020 of \$9,228,239 (East \$5,818,098, West \$3,410,141), and an amortization period of 5 years, which results in an annual amortization expense of \$1,845,648 (Spire East \$1,163,620: Spire West \$682,028).

18. The Signatories also agree on the Kansas property tax regulatory asset balance for this case measured at December 31, 2020 of \$1,243,642, and an amortization period of 4 years, which results in an annual amortization expense of \$310,910 for Spire West.

19. The final balances of the regulatory assets will include a proration of property taxes paid for the calendar year 2021, property taxes collected from customers through base rates and the Infrastructure System Replacement Surcharge, and successful Missouri property tax appeals that are associated with the property taxes paid during the period of which the Missouri property tax tracker was in effect (April 2018-2021). Spire will discontinue both the Missouri and Kansas property tax trackers effective on the effective date of rates in this case.

GENERAL PROVISIONS OF AGREEMENT

20. **Limitation of Scope:** This *Partial Stipulation and Agreement* is being entered into for the purpose of disposing of the issues specifically addressed herein. In presenting this *Partial Stipulation and Agreement*, none of the signatories shall be deemed to have approved, accepted, agreed, consented or acquiesced to any procedural principle, and none of the signatories shall be prejudiced or bound in any manner by the terms of this *Partial Stipulation and Agreement*, whether approved or not, in this or any other proceeding, other than a proceeding limited to the enforcement of the terms of this *Partial Stipulation and Agreement*, except as otherwise expressly specified herein. The signatories further understand and agree that the provisions of this *Partial Stipulation and Agreement* relate only to the specific matters referred to in this *Partial Stipulation and*

Agreement, and no signatory waives any claim or right which it otherwise may have with respect to any matter not expressly provided for in this *Partial Stipulation and Agreement*. The signatories further understand and agree that no party to this *Partial Stipulation and Agreement* shall assert the terms of this Agreement as a precedent in any future proceeding.

21. **Interdependence and Non-Severability:** This *Partial Stipulation and Agreement* has resulted from negotiations and the terms hereof are interdependent. If the Commission does not approve this *Partial Stipulation and Agreement* in total or approves it with modifications or conditions to which a signatory objects, then this *Partial Stipulation and Agreement* shall be void and no signatory shall be bound by any of its provisions. The agreements herein are specific to this proceeding and are made without prejudice to the rights of the signatories to take other positions in other proceedings except as otherwise noted herein. If the Commission does not unconditionally approve this *Partial Stipulation and Agreement* without modification, and notwithstanding its provision that it shall become void, neither this *Partial Stipulation and Agreement*, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any signatory has for a decision in accordance with RSMo. section 536.080 or Article V, Section 18, of the Missouri Constitution, and the signatories shall retain all procedural and due process rights as fully as though this *Partial Stipulation and Agreement* had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this *Partial Stipulation and Agreement* shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

22. **Waiver of Procedural Rights:** If the Commission unconditionally accepts the specific terms of this *Partial Stipulation and Agreement* without modification, the signatories

waive, with respect to the issues resolved herein, their respective rights: (1) to call, examine and cross-examine witnesses pursuant to RSMo. section 536.070(2); (2) to present oral argument and/or written briefs pursuant to RSMo. section 536.080.1; (3) to the reading of the transcript by the Commission pursuant to section RSMo. 536.080.2; (4) to seek rehearing pursuant to RSMo. section 386.500; and (5) to judicial review pursuant to RSMo. section 386.510, provided however that the Verified Applications and Updates submitted by Spire Missouri on behalf of Spire East and Spire West shall be received into evidence for the sole purpose of providing an evidentiary foundation for this *Partial Stipulation and Agreement*. These waivers apply only to a Commission order respecting this *Partial Stipulation and Agreement* issued in this above-captioned case and do not apply to any issues or matters raised in any prior or subsequent Commission order, or any issue or other matters not explicitly addressed by this *Partial Stipulation and Agreement*.

23. **Merger and Integration:** This *Partial Stipulation and Agreement* contains the entire agreement of the signatories concerning the issues addressed herein. The intent of the signatories to this *Partial Stipulation and Agreement* has been fully and exclusively expressed in this document and the attachments appended hereto.

WHEREFORE, the signatories request the Missouri Public Service Commission issue an order approving the terms and conditions of this *Partial Stipulation and Agreement*.

Respectfully Submitted,

/s/Goldie T. Bockstruck

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**ATTORNEYS FOR THE STAFF OF THE
MISSOURI PUBLIC SERVICE COMMISSION**

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing pleading was served on all parties to this case on 12th day of August 2021 by electronic mail.

/s/ Goldie T. Bockstruck