BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Its Revenues for Gas Service	))	**File No. GR-2017-0215** Tariff No. YG-2017-0195
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	**File No. GR-2017-0216** Tariff No. YG-2017-0196

SPIRE MISSOURI INC.'S APPLICATION FOR REHEARING AND REQUEST FOR APPROVAL OF RECONCILATION

March 16, 2018

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SPIRE MISSOURI INC.'S APPLICATION FOR REHEARING AND REQUEST FOR APPROVAL OF RECONCILATION

COMES NOW Spire Missouri Inc. (f/k/a Laclede Gas Company) and, pursuant to 4 CSR 240-2.160(1) and Sections 386.500, 386.510 and 386.420.4 RSMo., applies for rehearing of the Commission's March 7, 2018 Amended Report and Order (the "Amended Order") and requests approval of the Reconciliation in the above cases. In support thereof, Spire Missouri Inc. states as follows:

A. THE APPLICANT

1. Spire Missouri Inc. (hereinafter "Spire Missouri" or "Company") is a public utility and gas corporation incorporated under the laws of the State of Missouri, with its principal office located at 700 Market Street, St. Louis, Missouri 63101. A Certificate of Good Standing evidencing Spire Missouri's standing to do business in Missouri was submitted in Case No. GF-2013-0085 and is incorporated herein by reference. The information in such Certificate is current and correct.

2. Through its Spire Missouri East operating unit, the Company is engaged in the business of distributing and transporting natural gas to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, St. Genevieve, St. Francois, Madison, and Butler in Eastern Missouri, as a gas corporation subject to the jurisdiction of the Commission. Through its Spire Missouri West operating unit, the Company is engaged in the

business of distributing and transporting gas to customers in the City of Kansas City and the Counties of Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Cooper, Dade, DeKalb, Greene, Henry, Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald, Moniteau, Newton, Pettis, Platte Ray, Saline, Stone, and Vernon Counties in Western Missouri, as a gas corporation subject to the jurisdiction of the Commission.

3. Communications in regard to this Application should be sent to the undersigned counsel.

4. Other than cases that have been docketed at the Commission, the Company 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 within three years of the date of this application.

5. The Company is current on its annual report and assessment fee obligations to the Commission; no such report or assessment fee is overdue

B. INTRODUCTION

6. Spire Missouri recognizes that these cases presented the Commission with an extraordinary number of complex issues to consider and decide. The Company has previously submitted, either on its own or jointly with the Commission Staff, requests for clarification or modification on several issues, which resulted in the Amended Order. The purpose of this pleading is to seek formal rehearing of certain decisions in the Amended Order. In accordance with the standards provided in Section 386.500, the Company believes these decisions are unlawful, unreasonable or unjust, in that they are inconsistent with applicable legal standards, unsupported by the competent and substantial evidence on the record, or unaccompanied by adequate findings of fact.

C. THE APPLICATION FOR REHEARING

7. While the Company disagrees with a number of the issues decided in the Amended Order, application for rehearing is limited to the issues set forth below. Spire Missouri requests that the Commission find that sufficient reason exists to rehear these issues, as provided in Section 386.500.1.

Treatment of Forest Park Proceeds

8. Pages 18 to 25 of the Amended Order contain two erroneous determinations relating to the Company's sale of its Forest Park property in 2014. The first is the decision instructing the Company to reduce its depreciation reserve by the $1.8 million that represents the undepreciated remaining value of the Forest Park facilities at the time of the sale. The second is its decision to use $3.5 million of the relocation proceeds received by the Company in connection with the sale to offset, through the creation of a regulatory liability, the cost of the separate and less expensive Manchester facility that was subsequently constructed by the Company as a satellite office.

9. Both of these determinations are unlawful, unreasonable and unsupported by competent and substantial evidence for several reasons. First, the Amended Order states that instructing the Company to reduce its depreciation reserve by the $1.8 million undepreciated value of the Forest Park facilities is consistent with the prescribed accounting conventions for such transactions. This is not the case. The Amended Order errs at page 23 when it refers to the Forest Park facility as an "operating unit or system." The Forest Park facility was neither an operating unit nor a system, but rather a group depreciated asset under Account 375.200. The decision is contrary to the normal accounting treatment afforded to group depreciated assets, as explained at page V.2 of the Depreciation Study in this case. (See Ex. 3) The normal treatment recognizes that

some plant in the group will be retired while it still has a remaining, undepreciated value, while other plant in the group will be retired well after it has been fully depreciated. (*Id.)* At retirement, under-depreciated assets reduce the depreciation reserve, while over-depreciated assets increase it. The depreciation reserve therefore reflects the net effect of the retirements of these group depreciated assets. The decision contravenes the established accounting treatment by selectively excluding the impact of one asset that is under-depreciated, while ignoring the impact of others that may have the opposite effect.

10. Second, even if it were appropriate to single out this one unit of group property for special treatment, the Amended Order simply ignores the undisputed evidence on the record showing that the Company had already used a portion of the Forest Park proceeds to make a $1.95 million capital contribution – a contribution which more than offsets the revenue requirement impact of the $1.8 million undepreciated value of the Forest Park property. (Ex. 64, p. 2, paragraph 5). The Amended Order expressly acknowledges that the Company contributed $1.95 million in capital, at zero cost to customers. The Amended Order nevertheless seeks to offset the revenue requirement impact of this item *twice*, by taking the $1.95 million contribution while also instructing the Company to reduce its depreciation reserve by $1.8 million.

11. Third, the decision instructing the Company to reduce its depreciation reserve by $1.8 million (like the decision on the Forest Park relocation proceeds) is based on the clearly erroneous finding that the subsequently constructed Manchester satellite office cost more than the Forest Park service center. The Amended Order acknowledges that the Manchester facility is less expensive to operate but states that it has a higher capital cost. In fact, the undisputed evidence on the record shows that the Manchester facility costs less to both own and operate than the Forest Park facility when including the cost of the capital improvements that would have been necessary

to rehab the Forest Park facility to remain in operation. (Ex. 43, Schedule SMK-S1) Because the revenue requirement paid by customers is determined by both of these elements, the Amended Order's reliance on a selective and incomplete consideration of only the relative capital costs of the two properties provides no justification for excluding the $1.8 million undepreciated value of property on the theory that the Manchester facility is more costly. It isn't.

12. Finally, the Amended Order implies that the Commission's decision on this issue is motivated in part by the asserted failure of the Company to seek Commission approval for the sale of the Forest Park property. In fact, the record shows that the Company was very open about its plans to sell the Forest Park property and specifically advised the Commission, Staff and other parties of its efforts in this regard during an on the record presentation in 2014. No one at the time suggested that the Company needed Commission approval for the sale, nor would such approval be required in any event since the buyer, CORTEX, had the power of eminent domain in the area. This power was expressly recognized in the sale agreement, which compensated the Company as if eminent domain had been exercised, in lieu of the cost of an actual eminent domain proceeding. Moreover, if there was a concern about such approval being required, imposing a financial penalty in a rate case – rather than going through the complaint process required by law, is an inappropriate way to address the issue.

13. The Amended Order's decision to seize the $3.5 million in relocation proceeds is equally flawed on both a legal and factual basis. On a legal basis, the Commission has, by seizing these proceeds and reflecting them in current rates, engaged in prohibited retroactive ratemaking**.** ***State ex rel. Utility Consumers Council, Inc. vs Public Serv. Comm'n,*** 585 S.W.2d 41, 58 (Mo. banc 1978). The event that created these proceeds, namely the sale of the Forest Park property, occurred in 2014 or nearly two years before the test year used to established rates in this

proceeding. In addition to being outside the test year, the relocation proceeds received from the sale were also a one-time, non-recurring event. As a result, these proceeds do not represent the kind of ongoing revenue or expense items for which an allowance in rates can or should be provided. Nor was there any accounting authority order or other accounting convention in place directing or requiring that these proceeds be deferred for potential inclusion in subsequent rates. As a result, capturing the relocation proceeds for inclusion in rates is unlawful, in that it retroactively uses a past one-time expense offset to reduce future rates.

14. On a factual basis, seizing these proceeds is also unjust and unreasonable. The undisputed evidence on the record indicates that, except for the $1.95 million that was contributed to capital for the benefit of customers, *all* of these proceeds were used to pay for moving and other relocation expenses incurred by the Company in connection with its facility restructuring. Some of these costs would have been included in the cost of service calculation and paid by customers if this occurred during the test year. The Amended Order acknowledges as much at page 22, paragraph 18, but states that the evidence was unclear as to whether the proceeds were used in connection with the Forest Park relocation or the 720 Olive relocation. The Company would respectfully submit that this is a completely irrelevant distinction. There is no legal or equitable theory to support the proposition that the Company was required to use these proceeds only for Forest Park relocation expenses and any proceeds used for other moving expenses were effectively subject to seizure in a future rate case. And no such theory is cited in the Amended Order.

15. The fact is, that all of the relocation proceeds were used to either pay for relocation expenses or make capital contributions for the benefit of ratepayers. It is wholly unreasonable and unlawful to use them again to reduce rates in this case. The Company requests that this issue be reheard or reconsidered, and that the taking of these funds be reversed.

Treatment of Pre-1996 Pension Plan Contributions

16. In issuing the Amended Order on March 7, the Commission took advantage of the opportunity to bolster its findings and conclusions on the pre-1996 pension asset in response to the Company's March 2 Application for Rehearing. Nevertheless, the Commission's wholesale rejection of the disputed pension asset, as addressed on pages 94-101 of the Amended Order, is still unlawful, unjust and unreasonable, and Spire again requests the Commission find that sufficient reason exists to rehear this issue. The issue involves pension assets accrued by Spire Missouri East during the period (i) 1987-1994, under both FAS 87 and FAS 88 accounting ($19.8 million), and (ii) 1994-1996, under FAS 88 ($9.0 million). Spire argued that the Company is entitled to the $28.8 million asset since rates were based on GAAP rules, because customer rates underpaid the Company's actual pension contributions. Staff disagreed, claiming that customer rates were set based on actual pension contributions, and therefore no asset accrued.

17. As described in the Amended Order, the crux of the issue is whether customer rates for pension expense in Spire East rate cases in 1990, 1992 and 1994 were based upon FAS 87/88 GAAP rules, or were based on the actual cash Spire East contributed to its pension. (Amended Order, p. 95) Pension expense based on FAS 87/88 rules was lower than the actual amounts contributed to pensions by the Company. So, if customer rates for pension expense were set based on FAS 87/88 rules, customers would have underpaid actual pension costs and Spire East would be entitled to a pension asset. On the other hand, if customer rates for pension expense were set based upon the actual cash contributions, then customers would not be deemed to have underpaid pension costs, and Spire East would not be entitled to a pension asset.

18. The Company respectfully submits that the Commission's decision, that no pension asset exists for the subject period, is unlawful, unreasonable, arbitrary and capricious, is

unsupported by competent and substantial evidence and is against the great weight of the evidence. Pension issues are very complex and esoteric. The Financial Accounting Standards Board (FASB) has struggled with making pension and OPEB information more useful and transparent for investors.[1] Accordingly, the Commission erred in failing to give any weight to the only witness who had expertise in the field of pension accounting, Spire's former controller, Mr. Fallert. At the same time, the Commission also erred by placing too much weight on the testimony of a Staff witness who lacked pension experience, Mr. Young. The findings of fact in the Amended Order are simply a recitation of Mr. Young's Surrebuttal Testimony without any attempt to address or explain significant evidence to the contrary. For example, paragraph 6j on page 97 of the Amended Order states that FAS 87 was not used for regulatory purposes prior to 1994. This is plainly contrary to the testimony of Spire witness Fallert, who swore that both Laclede and Staff filed their pension expense positions in the 1990 rate case on a FAS 87 basis. If Mr. Fallert is correct, then Spire is entitled to the pension asset accumulated until the Commission issued its order resolving the 1992 rate case. Mr. Fallert's assertion was confirmed by Staff witness Stephen Rackers, who bluntly testified in Laclede's 1990 rate case that Staff utilized FAS 87 to determine pension expense. (Ex. 276, p. 6, lines 22-26) In fact, Mr. Rackers' 1990 testimony goes on for 13 pages explaining *how* he used FAS 87 to calculate Laclede's pension expense. (*Id.*, pp. 6-19) So both the Spire witness who actually participated in the 1990 case (Mr. Fallert), and the Staff witness in the 1990 case (Mr. Rackers) both confirmed that FAS 87 was used to set pension expense. Further, the Commission decision states that it prefers the sworn testimony of the witnesses in the 1990s.[2]

[1] "While SFAS 87 required full disclosure in the footnotes, only those who studied pension accounting could understand it." Controversies in Accounting for Post-Retirement Benefits, *Journal of Business & Economics Research*, Volume 6, Number 9, September 2008.
[2] Amended Order, p. 101

The Amended Order's decision to support Staff's position in this case in the face of overwhelming evidence to the contrary is arbitrary, capricious, unreasonable and unjust.

19. The Amended Order found that, because both Staff and Laclede filed testimony in the 1992 rate case that valued pension expense based on cash contributions, "it is likely rates were set using the current level of cash contribution instead of FAS 87 expense." (Amended Order, par. 6k, p. 97) As opposed to Staff's approach to the facts regarding the 1990 case, Spire witness Fallert appropriately acknowledged the facts regarding testimony in the 1992 case, and was even able to explain why the parties used cash contributions to value pension expense. The Commission reached a reasonable conclusion, one which obviated Spire's claim for accrual of a pension asset between the 1992 rate case and Laclede's next rate case in 1994. However, this decision further undermines the Commission's conclusion regarding the 1990 case. The Amended Order's decision to apply that reasoning to the 1992 case while refusing to apply the same reasoning to the 1990 case can only be viewed as arbitrary, capricious and unreasonable.

20. The same objection applies to the finding in paragraph 6c on page 96 of the Amended Order that Laclede did not itemize a pension asset in rate cases between 1987 and 1994. This finding is misleading and demonstrably untrue. The evidence demonstrated that the Company had no appreciable pension asset at the time it filed its 1990 case. As stated above, the Company filed on cash contribution in 1992, but the evidence showed that the Company itemized a "Prepaid Pension Asset" of $14.2 million in its accounting schedules in its 1994 rate case, which would have included combined assets related to FAS 87 and FAS 88. (Ex. 62, Schedule 1)

21. There are other misstatements in the findings of fact, but the most crucial ones apply to the Amended Order's decision that Spire East is not entitled to recover a $9 million pension asset accrued between 1994 and 1996 under FAS 88. First, the evidence clearly demonstrated that

both Laclede and Staff proposed FAS 88 adjustments in the 1994 case. Following the reasoning of paragraph 6k, discussed above, the Commission should have concluded that FAS 88 was likely used to set rates in 1994, thus requiring the Company to record an asset for costs actually incurred above the FAS 88 amount set in rates. The Commission's repeated failure to do so when the facts fall in the Company's favor is arbitrary, capricious and unreasonable. Paragraph 8 on page 98 indicates that the Commission found meaningful the fact that it approved deferrals of several expenses in the 1994 rate case, but that those expenses did not include FAS 87 or FAS 88 expenses. This is meaningless, however, as those deferral matters pertained to AAOs, and the issue here is whether rates were set based on FAS 87 and 88 pension expense.

22. Regarding FAS 88, the evidence was completely in the Company's favor, and Staff made virtually no argument. This is likely because Staff understands that, because of the relationship between FAS 87 and 88, where FAS 87 is used to set rates, which all parties agree was the case in 1994, FAS 88 must also have been used. The Commission's decision, that rates in Spire Missouri's 1994 rate case were based on cash contributions, rather than FAS 88 expense, was unjust, unreasonable and contrary to the great weight of the evidence. The Commission relied on its own research on the 1994 Stipulation and Agreement, which identified FAS 87 and 106, but did not specifically mention FAS 88. In other circumstances this might be meaningful but, as Company witness Fallert testified, when reference is made to FAS 87, it is simply shorthand for FAS 87 and 88. As noted in Spire's initial and reply brief, there are a host of other reasons supporting this truism. First, in Case No. GR-94-220, Staff witness Boczkiewicz discussed how he normalized the annual amount of FAS 88 gains in determining pension expense. These gains are applied as a negative, or contra-expense. In other words, the gains from FAS 88 events, such as lump sum pension payouts, are imputed to *decrease* pension expense, and thus decrease rates.

There would be no reason for Mr. Boczkiewicz to discuss normalizing FAS 88 amounts to an annual average unless Staff was basing the Company's rates on FAS 88 pension expense. Second, the Report and Order in Spire Missouri's 1996 rate case (GR-96-193) stated that the Commission was granting the Company authorization to *continue* to utilize FAS 87, 88 and 106 for regulatory purposes, not only specifically mentioning FAS 88, but indicating that FAS 88 was already being used to set customer rates. In the 1994 rate case, Staff initially filed its case on a cash contribution basis, but announced that if a change in law (HB 1405) occurred (which it did), Staff would change its position to use FAS 87 (and FAS 88) for ratemaking purposes. All parties agree that Spire Missouri's pension asset includes the portion relating to FAS 87 for 1994-1996. The evidence requires a decision that Spire Missouri is also entitled to the FAS 88 portion of the pension asset for the period 1994-96 in the amount of $9.0 million. The Amended Order's decision to the contrary is unlawful and unreasonable. In summary, the evidence leaves no doubt that Spire Missouri is fully entitled to its pension asset for the period 1990-1992, and entitled to its FAS 88 asset from 1994-1996. The Company respectfully requests that the Commission rehear this issue and order the Company to break down the pension asset by year for the period 1987-1996.

Treatment of Rate Case Expense

23. The Commission's decision to employ a 50-50 sharing of a significant portion of rate case expense is unlawful, unjust and unreasonable. Based on the arguments set forth below, Spire requests the Commission find that sufficient reason exists to rehear this issue.

24. The Amended Order is unjust, unreasonable and confiscatory, in that it fails to provide sufficient revenue to cover rate case operating expense without a finding that any such expenses are in any way imprudent, or even that the amount in total was unreasonably high. (Amended Order, pp. 54-55) For a utility, rate case expense is a necessary cost of doing business,

because the Company cannot raise or lower rates without a lengthy regulatory process. In this particular case, the Company was required to file a rate case as a consumer protection, in order to continue to charge $32.5 million annually for the government mandated safety and relocation work the Company had performed since 2013 in its Spire Missouri East service territory. Further, the Company was encouraged to file its rate case to facilitate a rate review that had been stayed at Public Counsel's request. Finally, the argument that rate case expense should be shared by customers and shareholders because both benefit from rate cases, is flawed. Certainly, both customers and shareholders benefit from the Company's actions in rendering bills and collecting revenues, but that does not mean it would be just or reasonable for the Commission to order a sharing of the Company's prudent costs incurred to bill and collect. Likewise, it is neither just nor reasonable for the shareholder to bear prudent costs incurred in the rate case process just because shareholders can be viewed as benefitting from rate cases by recovering their commission approved costs of service.

25. The Amended Order is arbitrary and capricious in that it arbitrarily selects a 50-50 sharing of rate case expense because it decided that the Company raised 50% of the issues. This decision ignored the fact that many of the issues "assigned" to the Company did not drive rate case expense, but were handled by in-house witnesses and experts, such as the proposed tracking mechanisms, recovery of incentive compensation, and synergy sharing proposal. Moreover, the Forest Park issue, discussed above, was raised by the Staff, not the Company, and it occurred prior to the test year. (Amended Order, p. 49)

26. The Amended Order is also unjust and unreasonable because it found that recovering rate case expense provided the Company with an inequitable financial advantage over other case participants. (Amended Order, p. 52) The Amended Order ignored evidence that the

Company's two main opponents are governmental entities that do not incur their own costs, nor share their expenses, but are backed by the full force of the state of Missouri. Moreover, the costs of these two governmental entities are charged to the Company through an allocation process, and ultimately passed on to utility customers. One of these governmental entities hired four outside consultants for this case. The other entity had 29 witnesses, all of which are employed by the trier of fact. The Amended Order unjustly ignored these facts in finding that the Company has an inequitable financial advantage.

27. The Amended Order is also unjust and unreasonable in that it purported to follow the Commission's previous decision in a KCP&L case, but ignored significant distinctions between that case and the Spire Missouri case. These arguments were covered in the Company's January 9 Brief and its January 17 Reply Brief, and are incorporated herein for all purposes as if those arguments were fully set forth herein. They are summarized as follows:

- The Company has a sterling history of controlling rate case expense, including by settling cases at or around the Commission-scheduled settlement conference;
- Since there are two rate cases, rate case expenses are naturally higher, as they are being spread across two utilities. The rate case expense incurred as a whole is not imprudent;
- Other parties are primarily responsible for the failure to settle these rate cases, which would have suppressed rate case expense;
- Filing of this case was driven by the consumer protection provisions of the ISRS Statute and the stay of OPC's complaint case, and not by the Company's desire to raise rates;
- Much of the rate case was driven by factors outside of the Company's control, such as by issues raised and/or pursued in our rate cases by other parties. These include Surveillance Reporting and Forest Park (Staff), School Transportation (MSBA, Staff), Energy Efficiency and Weatherization (Division of Energy and NHT), Low-Income Program (Consumer's Council), PGA/ACA/Pipeline (Environmental Defense Fund), Combined Heat and Power (Div. of Energy), and Hydrostatic Testing (OPC), CAM/Affiliate Transactions/Software Allocation (OPC, EDF), and Income Tax (Commission);

- Some rate case expense was needed to offset outside experts hired by other parties, such as cost allocation and pension (OPC) and cost of capital (OPC/MIEC);

- Many Company issues were not designed to increase revenue requirement, including establishing performance benchmarks, relieving customers of a charge for credit card payments, reconciling Kansas property taxes, reducing weather risk for the Company and residential customers through an RSM or weather adjustment clause, developing Class Cost of Service and Rate Design, bringing customers lower gas costs by making an initial investment in the St. Peters lateral, and reducing meter reading costs by purchasing AMR devices;

- Commission policy on rate case expense should not encourage utilities to drive up internal costs by hiring ongoing full-time employees in order to cut down on temporary external experts; and

- The Company did save rate case expense by handling many issues internally, including pension issues raised by OPC's outside consultant, pipeline issues raised by EDF's outside consultant, energy efficiency issues raised by NHT's outside witness, and low-income programs, testified to by CCM's outside witness. The Company also saved expense by cooperating with the Commission and parties to voluntarily dispose of the income tax issue in the rate case, rather than requiring a separate docket.

28. Investors provide capital to utilities that have a reasonable opportunity to cover their cost of service and earn a fair return. Investors will not provide capital to utilities that expect investors to pay for operating expenses. The role of the shareholder is to provide much needed capital to a utility so that customers can pay for long-lived assets over a period of decades, rather than having to pay for the entire investment in the year it was made. The customers that receive the benefit of services should pay for the prudent costs incurred by the utility to provide them. As demonstrated above, prudently-incurred rate case expense is one of the necessary costs incurred by a utility to operate its business, and should be recovered by the Company in rates.

Disallowance of Capitalized Earnings-Based Incentive Compensation

29. The Commission's decision at page 127 of the Amended Order to disallow capitalized incentive costs beginning with the January 1, 2016 starting date of the test year in these

case is unreasonable, unlawful, arbitrary and capricious and unsupported by adequate findings of fact.

30. The Amended Order is unreasonable and unlawful because it would disallow a portion of the earnings-based incentive compensation that the Company has capitalized, when such capitalization was made in good faith without a Commission order to the contrary. In fact, the most recent Commission order on the subject, ER-2008-0318, approved an incentive compensation plan that, like Spire's, was a mix of earnings-based and performance-based metrics. The Company maintains that earnings-based incentive compensation that is part of a balanced employee incentive program should be allowed in rates; however, if the Commission disagrees, justice requires that the Company receive fair notice, and be at risk for capitalized non-Union earnings-based incentive compensation only on a going forward basis.

31. Such a result is also consistent with the Commission's discussion of this issue at its February 15 Agenda Meeting, a transcript of which was attached to the Company's February 27 Request for Clarification. That discussion clearly indicated that the Commission was not disallowing any capitalized incentive compensation in this case. Since February 15, there has been no substantive discussion of this issue at any agenda meeting that would suggest why a different result would be just and reasonable, let alone one premised on using the beginning of the test year in this case as the demarcation point for determining what capitalized incentive costs would be disallowed.

32. The Commission's unexplained adoption of such a demarcation point is arbitrary and capricious, unsupported by any competent and substantial evidence, and completely lacking in the requisite findings of fact that must accompany such a decision. It is important to note that no party to these proceedings ever suggested, let alone affirmatively recommended, such a

demarcation point in their testimony, position statements or briefs. As a result, there is no evidence of any kind to substantiate why such a demarcation point is reasonable. Nor has the Company been afforded its due process right to rebut the propriety of such a demarcation point, since it was not raised until after the hearings were held and briefs filed in these proceedings. All of the flaws – which go to the unreasonable and arbitrary nature of the Commission's action – are further exacerbated by the fact that the Commission has offered nothing at agenda meetings or in its Amended Order, to explain why the beginning of the test year is a legally relevant or appropriate line for determining when capitalized incentive compensation costs should be allowed or disallowed.

33. Finally, making an adjustment for capitalized incentive costs that were incurred prior to the issuance of the Commission's Amended Order in these cases would be inconsistent with the concept of putting the Company on notice that such costs would be subject to disallowance on a "going forward" basis. The Company requests that the Commission rehear this issue and, consistent with its February 15 discussion, confirm that there is no disallowance in this case for the capitalized portion of earnings-based incentive compensation, but that the Company is at risk for future capitalizations of such compensation for non-Union employees.

Authorization of Transition Rates

34. In its original April 11, 2017 rate case filing, as part of shifting to a more customer-friendly rate design with less reliance on high customer charges and complex structures, the Company requested residential transition rates that would cover the period from the end of the rate case until the end of September 2018, when the transition to permanent rates would take effect. Spire Missouri West had implemented these same transition rates in its 2014 rate case (Case No. GR-2014-0007) when transitioning off a straight fixed-variable rate design, where all residential

base rates were covered in the customer charge. In response to the Company's request, the Commission addressed this issue in the Amended Order, denying the Company's request in very summary fashion. (Amended Order, p. 91)

35. Spire Missouri linked reduced residential customer charges to transition rates in that original April 11, 2017 filing and in the list of issues for a simple reason. The linkage recognizes that while lower fixed charges will benefit customers over the long term, it would impose the equivalent of a rate shock on the Company for the remainder of this fiscal year if implemented in the Spring-Summer period, a period of low usage. Without transitioning monthly customer charges, the Company's revenues for the remainder of fiscal 2018 will be reduced by more than the entire $15.75 million annual revenue reduction, simply because the Company's rate structure was changed to a more customer-friendly rate design at a disadvantageous time.

36. Currently, Spire Missouri East's residential fixed charges are $23.44, and the new customer charge will be $22, a reduction of $1.44 per month, or 6.1%. Given the fact that Spire Missouri's revenue requirement is declining in this case, a reduction to a $22 residential monthly customer charge, as approved by the Commission, is acceptable for the transition period, which allows for the volumetric rate to be similar to the current average volumetric rates for Spire Missouri East, before settling into permanent rates with a lower volumetric charge. Spire Missouri West's residential fixed charge is currently $25.41, and its new customer charge will be $20. Maintaining Spire Missouri West's current $23 residential customer charge for the transition period would represent a reduction of $2.41 per month, or 9.5%, from existing fixed charges, which result in a volumetric rate nearly the same as the permanent volumetric rate, before settling into permanent rates with a lower customer charge. In total, by utilizing transition rates the combination of the proposed customer and volumetric charges to be in effect during the summer transition

period would result in the same percentage reduction for the typical residential customer as the overall percentage reduction the Commission has approved on an annual basis of approximately 5% for Spire Missouri East, and 1% for Spire Missouri West.

37. The Amended Order's failure to approve such transition rates, which would provide customers with the same percentage reduction in the summer transition period that they will receive overall while preventing a significant detriment to the Company, is unjust and unreasonable. Moreover, by failing to address the issue in the Amended Order, the Commission has not fulfilled its statutory obligation to support its determinations with adequate findings of fact that show how controlling issues were resolved.

D. REQUEST FOR APPROVAL OF RECONCILATION

38. Subsection 4 of Section 386.420 RSMo. provides that:

> "the commission shall cause to be prepared, with the assistance of the parties to such proceeding, and shall approve, after allowing the parties a reasonable opportunity to provide written input, a detailed reconciliation containing the dollar value and rate or charge impact of each contested issue decided by the commission, and the customer class billing determinants used by the commission to calculate the rates and charges approved by the commission in such proceeding."

Such a reconciliation is also required to be included in a notice of appeal submitted pursuant to Section 386.510.

39. Attached hereto as Exhibit 1 is a reconciliation detailing the value of the issues identified in this Application. These issues are subject to judicial review if this Application is denied. The Company respectfully requests that the Commission issue an order approving the reconciliation after allowing the parties a reasonable opportunity to provide written input, as provided in Section 386.420.4.

40. Exhibit 1 also includes the customer class billing determinants referenced by Section 386.420.4. The Company would note that these billing determinants were established by the Commission for both Spire Missouri East and Spire Missouri West in the Amended Order, wherein the Commission approved the December 20, 2017 Nonunanimous Stipulation and Agreement Regarding Revenue Allocation and Non-Residential Rate Design. (See Attachments 3 and 4 to the Stipulation and Agreement). Accordingly, the Company requests that the Commission approve these billing determinants as part of the reconciliation order.

CONCLUSION

In conclusion, Spire Missouri Inc. respectfully requests (a) that the Commission grant rehearing of the issues identified herein and, upon rehearing, revise its Amended Order consistent with the recommendations set forth above and (b) approve the reconciliation, including billing determinants, set forth in Exhibit 1, hereto.

Respectfully Submitted,

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ATTORNEYS FOR SPIRE MISSOURI INC.

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing pleading was served on the parties of record in this case on this 16th day of March, 2018 by hand-delivery, fax, electronic mail or by regular mail, postage prepaid.

/s/ Rick Zucker

Exhibit 1

GR-2017-0215 and GR-2017-0216
Reconciliation

	Revenue Requirement Impact		
	GR-2017-0215	**GR-2017-0216**	**Total**
Rate Case Expense Sharing			
Regulatory Asset			
Yearly Amortization	(111,982.10)	(97,214.54)	(209,196.65)
Forest Park			
Depreciation Reserve			
Remaining Value	(159,494.22)		(159,494.22)
Relocation Proceeds	(325,721.21)		(325,721.21)
Prepaid Pension Asset Disallowance			
Regulatory Asset			
RORB	(1,597,918.58)		(1,597,918.58)
Amortization	(1,955,092.93)		(1,955,092.93)
Capitalized Incentive Compensation			
Net Plant			
RORB	(495,519.41)	(122,854.20)	(618,373.62)
Depreciation	(156,188.98)	(36,909.16)	(193,098.14)
Total	(4,801,917.44)	(256,977.90)	(5,058,895.34)

MGE Billing Determinants

MGE Residential

	Determinants	Rate	Total Revenue
Customer Charge	5,639,363	$ 23.00	$ 129,705,355
Commodity Charge			$ -
All CCF's	356,284,043	$ 0.07380	$ 26,293,762
	356,284,043		$ 155,999,118

MGE SGS*

	Determinants	Rate	Total Revenue
Customer Charge	380,728	$ 34.00	$ 12,944,737
Commodity Charge			$ -
All CCF's	56,545,398	$ 0.05430	$ 3,070,415
	56,545,398		$ 16,015,152

MGE LGS*

	Determinants	Rate	Total Revenue
Customer Charge	43,530	$ 115.40	$ 5,023,362
Commodity Charge			$ -
Winter CCF's	47,304,244	$ 0.13268	$ 6,276,327
Summer CCF's	21,983,325	$ 0.07647	$ 1,681,065
	69,287,569		$ 12,980,754

MGE Large Volume

	Determinant	Rate	Revenue
Meter Charge	5520	$ 904.56	$ 4,993,171
Additional Meter	516	$ 259.34	$ 133,819
Winter Therms			$ -
Block 1	35,917,817	$ 0.05636	$ 2,024,328
Block 2	94,835,338	$ 0.04424	$ 4,195,515
Summer Therms			$ -
Block 1	38,512,740	$ 0.03565	$ 1,372,979
Block 2	100,433,173	$ 0.02352	$ 2,362,188
Special contract			$ (335,251)
EGM			$ 144,900
Total	269,699,069		$ 14,891,651

*MGE SGS and MGE LGS include the Company's Rate Classification adjustment that accounts for the Company switching customer between the SGS and LGS rate classes so that customers are within their appropriate class based on the customer's size.

LAC Billing Determinants

LAC Residential

	Determinants	Rate		Revenue	
Number of Customers	7,259,679	$	19.50	$	141,563,746
Winter Therms					
Block 1	104,729,572	$	0.91686	$	96,022,355
Block 2	313,800,331	$	-		
Summer Therms					
Block 1	61,214,370	$	0.31290	$	19,153,976
Block 2	10,366,028	$	0.15297	$	1,585,691
	492,926,126			$	258,325,769

*LAC CI

	Determinant	Rate		Revenue	
Number of Customers	371,812	$	25.50	$	9,481,206
Winter Therms					
Block 1	7,625,086	$	0.87711	$	6,688,039
Block 2	34,432,969	$	-		
Summer Therms					
Block 1	2,617,480	$	0.33832	$	885,546
Block 2	4,714,577	$	0.11492	$	541,799
	49,761,924			$	17,596,590

*LAC CII

	Determinant	Rate		Revenue	
Number of Customers	108,157	$	44.29	$	4,790,274
Winter Therms					
Block 1	23,594,394	$	0.61244	$	14,450,150
Block 2	61,355,221	$	-	$	-
Summer Therms					
Block 1	12,392,466	$	0.15306	$	1,896,791
Block 2	11,256,605	$	0.12421	$	1,398,183
	108,598,685			$	22,535,398

*LAC CIII

	Determinant	Rate		Revenue	
Number of Customers	7,526	$	88.57	$	666,596
Winter Therms					
Block 1	10,381,698	$	0.85663	$	8,893,274
Block 2	29,822,192	$	-	$	-
Summer Therms					
Block 1	6,603,269	$	0.15444	$	1,019,809
Block 2	6,631,824	$	0.12457	$	826,126
	53,438,983			$	11,405,805

LAC Large Volume Transportation

	Determinants	Rate	Revenue
Customer Charge	1,764	$2,069.64	$3,650,845
Commodity Charge			
First 36,000 therms	53,824,094	$ 0.02509	$1,350,447
Over 36,000 therms	132,083,577	$ 0.01050	$1,386,878
Reservation Therm	11,745,371	$ 0.60	$7,047,223
Total	185,907,671		$13,435,392

LAC Large Volume

	Determinants	Rate	Revenue
Customer Charge	804	$ 874.78	$ 703,323
Commodity Charge			$ -
First 36,000 therms	10,809,370	$ 0.02502	$ 270,450
Over 36,000 therms	113,358	$ 0.00701	$ 795
Demand	833,788	$ 0.95	$ 792,098
	10,707,110		$ 1,766,667

LAC Interruptible

	Determinants	Rate	Total Revenue
Customer Charge	240	$ 776.36	$ 186,326
Commodity Charge			
First 100,000 therms	5,097,855	$ 0.10440	$ 532,216
Over 100,000 therms	1,199,813	$ 0.08083	$ 96,981
	6,297,668		$ 815,523

*CI, CII, CIII are consolidated into an SGS class and LGS class

NEW SGS

	CI and part of CII
Number of Customers	440,916
Usage	84,101,007
Revenue	$ 30,022,762

NEW LGS

	CII and part of CII
Number of Customers	46,579.60
Usage	127,698,585
Revenue	$ 21,515,031

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Request to Its Revenues for Gas Service	))	**File No. GR-2017-0215** Tariff No. YG-2017-0195
In the Matter of Laclede Gas Company d/b/a Missouri Gas Energy's Request to Increase Its Revenues for Gas Service	)))	**File No. GR-2017-0216** Tariff No. YG-2017-0196

AFFIDAVIT

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

David P. Abernathy, of lawful age, being first duly sworn, deposes and states:

1. My name is David P. Abernathy. My business address is 700 Market Street, St. Louis MO. 63101. I am Vice President and General Counsel of Spire Missouri Inc., formerly known as Laclede Gas Company.

2. I have reviewed the foregoing pleading, and I hereby swear and affirm that it is true and correct to the best of my knowledge and belief.

David P. Abernathy

Subscribed and sworn to before me this 16th day of March, 2018.

Notary Public

DAWN S WIECZOREK
Notary Public, Notary Seal
State of Missouri
St. Louis County
Commission # 18241395
My Commission Expires 01-28-2022