

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

In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0115**
Replacement Surcharge in its Spire Missouri)
East Service Territory)

In the Matter of the Application of Spire Missouri)
Inc. to Change its Infrastructure System) **File No. GO-2019-0116**
Replacement Surcharge in its Spire Missouri)
West Service Territory)

STIPULATION AND AGREEMENT REGARDING INCOME TAX ISSUE

COME NOW Spire Missouri Inc., on behalf of itself and its two operating units, Spire East and Spire West (the “Company” or “Spire”), and the Staff of the Missouri Public Service Commission (“Staff”), and for their Stipulation and Agreement Regarding Income Tax Issue (“Stipulation”), respectfully state as follows:

1. On January 14, 2019, Spire filed applications to change its ISRS for both its Spire East and Spire West service territories, and updated the applications on February 25, 2019. On March 20, 2019, the Commission issued a procedural order requiring Staff to file an issues list by April 1, 2019, which Staff did.

2. Issue C on the issues list stated as follows: “How should income taxes be calculated for purposes of developing the ISRS revenue requirement in these cases?” At the hearing on April 3, 2019, the parties announced that they had reached a resolution of Issue C, the terms of which are contained herein. The testimony provided by both Staff and Spire witnesses on this issue was admitted into evidence.

3. Accordingly, the Signatories agree that, for purposes of these cases, the Total ISRS Revenues will include one-half (50%) of the entire income tax gross-up that would be derived

from multiplying the revenue requirement before gross-up (i.e. the Utility Operating Income, or UOI) by the marginal income tax rate. This calculation is illustrated in Schedule A, which is attached hereto and incorporated herein for all purposes. Schedule A is based on Staff's UOI as of April 3, 2019. Should the UOI change as a result of an agreed revision or Commission order, income taxes will be adjusted accordingly using the same methodology so as to maintain the 50% proportion.

4. The Signatories agree to meet within 30 days after the effective date of the Order deciding the remaining issues in these cases and, if necessary, to hold additional meetings thereafter. The purpose of the meeting(s) will be to discuss the appropriate relationship between general rate cases and ISRS proceedings regarding ratemaking for income taxes and deductions. The goal is to reach a long-term solution to the issue. OPC shall be invited to attend all such meeting(s).

GENERAL PROVISIONS

5. This Stipulation is being entered into solely for the purpose of settling the issue explicitly set forth above. Unless otherwise explicitly provided herein, none of the Signatories to this Stipulation shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any cost of service methodology or determination, method of cost determination or cost allocation or revenue-related methodology.

6. This Stipulation is a negotiated settlement. Except as specified herein, the Signatories to this Stipulation shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve

this Stipulation, or in any way condition its approval of same. No Signatory shall assert the terms of this agreement as a precedent in any future proceeding.

7. This Stipulation has resulted from negotiations among the parties to this case, and the terms hereof are interdependent. If the Commission does not approve this Stipulation unconditionally and without modification, then this Stipulation shall be void and no Signatory shall be bound by any of the agreements or provisions hereof.

8. This Stipulation embodies the entirety of the agreements between the Signatories in this case on the issue addressed herein, and may be modified by the Signatories only by a written amendment executed by all of the Signatories.

9. The Staff shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests. Staff shall, to the extent reasonably practicable, provide the other Parties with advanced notice of the agenda in which Staff will respond to the Commission's request for information. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged, highly confidential, or proprietary.

10. If approved and adopted by the Commission, this Stipulation shall constitute a binding agreement among the Signatories. The Signatories shall cooperate in defending the validity and enforceability of this Stipulation and the operation of this Stipulation according to its terms.

11. If the Commission does not approve this Stipulation without condition or modification, and notwithstanding the provision herein that it shall become void, (1) neither this Stipulation 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. §536.080 or Article V, Section 18 of the Missouri Constitution, and (2) the Signatories shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval, and any suggestions, memoranda, testimony, or exhibits that have been offered or received in support of this Stipulation 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 purpose whatsoever.

12. If the Commission accepts the specific terms of this Stipulation without condition or modification, only as to the issues in these cases explicitly set forth above, the Signatories each waive their respective rights to present oral argument and written briefs pursuant to RSMo. §536.080.1, their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, their respective rights to seek rehearing pursuant to §386.500, and their respective rights to judicial review pursuant to §386.510. This waiver applies only to a Commission order approving this Stipulation without condition or modification issued in this proceeding and only to the issue resolved herein. It does not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Stipulation.

13. OPC has reviewed this Stipulation and does not oppose it.

WHEREFORE, the Signatories respectfully request that the Commission issue an order in this case approving the Stipulation subject to the specific terms and conditions contained therein.

Respectfully submitted,

/s/ Michael C. Pendergast

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**ATTORNEYS FOR THE MISSOURI
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 8th day of April, 2019.

/s/ Rick Zucker

Schedule A

ISRS Income Tax Calculation
Spire Missouri

	PER STAFF RECOMMENDATION		
	<u>EAST</u>	<u>WEST</u>	<u>TOTAL</u>
UOI Required	3,875,954	3,226,502	7,102,456
Income tax conversion factor	1.34135	1.34135	1.34135
Revenue requirement for capital	5,199,011	4,327,868	9,526,879
Tax gross up @25.4482%	1,323,057	1,101,366	2,424,423
Split 50/50	661,529	550,683	1,212,213