

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
File No. GA-2023-0038 - Spire Missouri, Inc., d/b/a Spire

FROM: Anne M. Crowe, Lead Senior Utility Regulatory Auditor,
Procurement Analysis Department

/s/ David M. Sommerer 10/25/23
Utility Regulatory Manager/Date

SUBJECT: Staff Recommendation to Deny Approval of Spire's Request to Waive the West
Actual Cost Adjustment ("ACA") factor for Oronogo Customers

DATE: October 25, 2023

Case Background

On August 5, 2022, Spire Missouri, Inc., d/b/a Spire ("Spire" or the "Company"), filed its Application ("Application") with the Missouri Public Service Commission ("Commission") for permission and approval of a certificate of public convenience and necessity ("CCN") to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide natural gas service in and around the City of Oronogo, Missouri in Jasper County ("Oronogo" or the "City") as a further expansion of its existing certificated area.

On December 20, 2022, the Staff of the Commission ("Staff") recommended approval of Spire's Application. On January 25, 2023, the Commission issued an *Order Approving Acquisition of Assets and Granting Certificate of Convenience and Necessity* effective February 24, 2023. The tariff sheets updating the legal description of its service area became effective March 6, 2023.

On June 22, 2023, the sale of the Oronogo municipal gas distribution system from the City of Oronogo to Spire closed.

On June 26, 2023, Spire filed a letter in this case requesting to exclude charging the Spire West's Actual Cost Adjustment ("ACA") portion of the Purchased Gas Adjustment ("PGA") to the Oronogo customers. The Commission directed Staff to file a status report no later than September 28, 2023, or request an extension of time to file its report. On September 27, 2023, Staff requested an extension of time to file its recommendation no later than October 30, 2023. On September 27, 2023, the Commission issued its *Order Granting Motion for Extension of Time* no later than October 30, 2023.

Spire's Proposal

Spire proposes, in its June 26, 2023, letter to exclude the Spire West ACA portion of the PGA, which is currently \$.33881, for the Oronogo customers until November 2024. It states that Spire Missouri's customers are currently paying for the gas costs related to Winter Storm Uri through the ACA portion of the PGA. By excluding the ACA rate, this will minimize the bill impact this coming winter for the Oronogo customers due to the timing of Winter Storm Uri gas cost recovery.

Spire explains that in a May 2021 town hall meeting, a rate comparison presented to the Oronogo customers showed Spire's and Oronogo's rates were comparable. However since that presentation, Spire Missouri's rates have increased primarily due to Winter Storm Uri recovery.

Spire explains Oronogo's rate design, prior to Spire's purchase, consisted of a monthly customer charge and a volumetric gas charge that changed monthly based on the City of Oronogo's actual gas payments. Oronogo customers paid for the increased gas costs related to Winter Storm Uri in the month billed. Spire states it does not believe it is fair to seek recovery from Oronogo customers for the Winter Storm Uri costs since it would cause them to pay for increased gas costs twice.

Discussion

On October 14, 2021 in Case No. GT-2022-0084, the Commission approved Spire's application and amended PGA tariff allowing Spire to mitigate the rate impact from Winter Storm Uri by spreading the recovery of costs over a period of up to three years. The Company revised its PGA Filing Adjustment Factor ("FAF")¹ to reduce its Current PGA ("CPGA") by up to minus \$0.30 per Ccf to offset the increase in the ACA rate.² The sum of the CPGA rate and the ACA rate equals the total PGA rate.

Although Spire requests a waiver of its current ACA rate of \$.33881 through November 2024 for Oronogo customers, the upcoming ACA rate Spire is requesting to exclude is unknown until Spire makes its required PGA/ACA filing revising its PGA and ACA rates next month (November 2023).³ Spire provided Staff with its estimated ACA balance and it appears that the upcoming ACA rate will be less than the current ACA rate.

¹ The FAF is a tariff provision which is designed to refund to, or recover from customers any over- or under-recovery of gas costs that have accumulated since the Company's last ACA filing. This is a rate that is either added to or subtracted from the current PGA rate.

² Tariff Sheet No. 11.1 states: The FAF for PGA filings made during years 2021, 2022, and 2023, could be up to minus \$0.30 per Ccf to account for the increase in gas costs resulting from the February 2021 polar vortex, also known as Winter Storm Uri and the corresponding market movement. The 2021-2023 rate credit of up to \$0.30 per Ccf will allow the Company to mitigate the price impacts on the customer.

³ Per tariff sheet no. 11, Spire is required to make a PGA/ACA filing revising its ACA and PGA rates effective in November of each year.

In the November 2021 and 2022 PGA/ACA filings, Spire has used the FAF to reduce its estimated gas costs so that the CPGA was less than it would have been without the FAF, effectively spreading the recovery of Winter Storm Uri gas costs. If Spire uses a FAF in its upcoming November 2023 PGA filing and the Commission grants Spire’s proposal to waive the ACA rate, it would mean that Oronogo customers not only do not pay the ACA rate, but they also would be also be receiving a reduction in the CPGA rate.

Although the November 2023 Spire West ACA and CPGA rates are unknown, a comparison of the prior Oronogo municipal rates to the Spire PGA rates for the twelve months ended May 2023, shows an approximately a ** [REDACTED] ** increase in gas costs for the Oronogo customers.

Spire’s PGA tariff does not contain a waiver provision allowing it to exclude or waive the ACA rate charged to its customers. The ACA rate is a tariffed, Commission approved rate applicable to all of Spire West’s sales customers both new and existing. In Staff’s opinion, it would be inappropriate to waive the ACA rate for the Oronogo customers. Spire has indicated it is currently charging the Oronogo customers the currently effective CPGA rate of \$.73664 and the ACA rate of \$.33881.

According to an October 6, 2021 article, another Oronogo town hall meeting was held on September 30, 2021. In that town hall meeting, Cliff Garret, with Spire Energy, “estimated the average residential customer in Oronogo would pay \$10 less per month if Spire takes over.”⁴

The final vote on the proposal to sell the City’s municipal gas distribution system to Spire was 55 “yes” and 32 “no.”⁵

By late September 2021, Spire had information indicating that the Spire West PGA rate would increase significantly due to Winter Storm Uri gas costs.⁶ In Staff’s opinion, Spire should have provided this information to the City of Oronogo and its customers during the sale process.

Staff Recommendation

Based on the information provided above, Staff recommends the Commission deny Spire’s proposal to waive the ACA rate for the customers of Oronogo.

Staff has verified that the Company has filed its annual report and is not delinquent on any assessment.

⁴ [Is Oronogo getting a fair amount from Spire to purchase the gas system? – Webb City Sentinel & Wise Buyer](#)

⁵ [Oronogo voters say 'yes' to selling gas service to Spire | News | joplinglobe.com](#)

⁶ See Case No. GT-2022-0084 tariff filing 9/24/21.

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

In the Matter of the Application of Spire Missouri, Inc.)
d/b/a Spire for Certificate of Convenience and)
Necessity to Construct, Install, Own, Operate,)
Maintain, and Otherwise Control and Manage a)
a Natural Gas Distribution System in and around the)
City of Oronogo in Jasper County, Missouri as an)
Expansion of its Existing Certificated Areas)
File No. GA-2023-0038

AFFIDAVIT OF ANNE M. CROWE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW ANNE M. CROWE, and on her oath states that she is of sound mind and lawful age; that she contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to her best knowledge and belief.

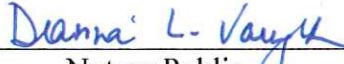
Further the Affiant sayeth not.



ANNE M. CROWE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 24th day of October 2023.



Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: July 18, 2027
Commission Number: 15207377

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File No. GA-2023-0038

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

COMES NOW DAVID M. SOMMERER, and on his oath states that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief.

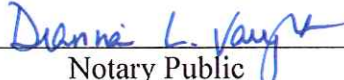
Further the Affiant sayeth not.



DAVID M. SOMMERER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 24th day of October 2023.



Notary Public

DIANNA L. VAUGHT
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
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