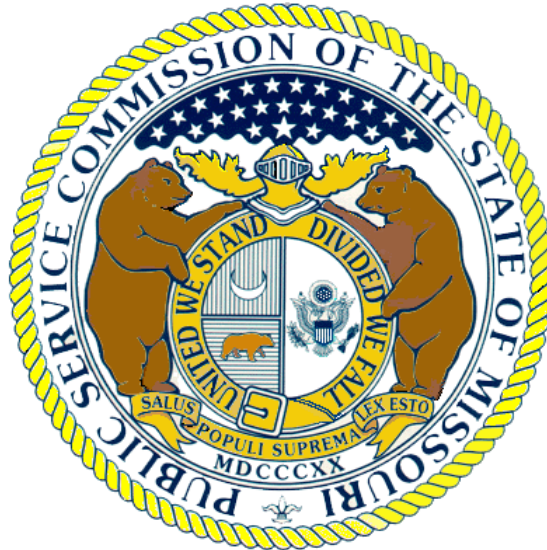


**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**



In the Matter of the Application of Spire
Missouri Inc. for an Accounting Authority
Order Concerning Its Commission
Assessment for the 2019 Fiscal Year

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File No. GU-2019-0011

REPORT AND ORDER

Issue Date: March 20, 2019

Effective Date: April 19, 2019

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

In the Matter of the Application of Spire)
Missouri Inc. for an Accounting Authority) **File No. GU-2019-0011**
Order Concerning Its Commission)
Assessment for the 2019 Fiscal Year)

APPEARANCES

SPIRE MISSOURI, INC.:

Dean Cooper, Brydon, Swearngen & England, PC, PO Box 456, Jefferson City, Missouri 65102.

MIDWEST ENERGY CONSUMERS GROUP:

David Woodsmall, 308 E. High Street, Suite 204, Jefferson City, Missouri 65101.

OFFICE OF THE PUBLIC COUNSEL:

Marc D. Poston, Public Counsel, PO Box 2230, 200 Madison Street, Suite 650,
Jefferson City, Missouri 65102-2230

STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION:

Jeffrey A. Keevil, Staff Counsel, PO Box 360, Governor Office Building,
200 Madison Street, Jefferson City, Missouri 65102.

SENIOR REGULATORY LAW JUDGE: Nancy Dippell

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REPORT AND ORDER

The Missouri Public Service Commission, having considered all the competent and substantial evidence upon the whole record, makes the following findings of fact and conclusions of law. The positions and arguments of all of the parties have been considered by the Commission in making this decision. Failure to specifically address a piece of evidence, position, or argument of any party does not indicate the Commission has failed to consider relevant evidence, but indicates rather that the omitted material was not dispositive of this decision.

Procedural History

On July 13, 2018, Spire Missouri Inc. (“Spire Missouri” or “the Company”) filed an application seeking an accounting authority order (“AAO”) authorizing it to defer as a regulatory asset any increases from its Fiscal Year (“FY”) 2018 assessment.¹ Specifically, Spire Missouri requests to defer as a regulatory asset the increase assessed in FY 2019. Spire Missouri also proposes to defer as a regulatory liability any decreases from the FY 2018 assessments for each year from FY 2019 through Spire Missouri’s next general rate case.² The Commission provided notice of the Application and granted the application to intervene of Midwest Energy Consumers Group (“MECG”).

An evidentiary hearing was held on December 11, 2018. Initial post-hearing briefs were filed on December 28, 2018, with reply briefs submitted on January 11, 2019.

¹ *Application for an Accounting Authority Order and Motion for Waiver*, (filed July 13, 2018).

² *Spire Missouri’s Initial Brief*, (filed December 28, 2018), p. 4.

Findings of Fact

1. Spire Missouri is a “gas corporation” and a “public utility.”³
2. Spire Missouri is primarily engaged in the business of distributing and transporting natural gas to customers in both the eastern and western portions of the State of Missouri.⁴
3. Spire Missouri serves customers in the City of St. Louis and ten counties in Eastern Missouri through its Spire East operating unit.⁵ The Spire East operating unit was formerly known as Laclede Gas Company.
4. Spire Missouri serves customers in the City of Kansas City and thirty counties in Western Missouri through its Spire West operating unit.⁶ The Spire West operating unit was formerly known as Missouri Gas Energy.
5. The Commission assesses each public utility it regulates an amount each year to recover the costs of the Commission to regulate utilities under its jurisdiction.⁷ The Commission also collects an assessment for Public Counsel.⁸
6. Commission assessments have been billed to and paid by Spire Missouri and its predecessors, Laclede Gas Company and Missouri Gas Energy, for many years on a set schedule.⁹

³ *Application for an Accounting Authority Order and Motion for Waiver*, (filed July 13, 2018), paras. 1 and 3. See Section 386.020, RSMo. 2016. All statutory references are to the Revised Statutes of Missouri 2016 unless otherwise noted.

⁴ *Application for an Accounting Authority Order and Motion for Waiver*, (filed July 13, 2018), para. 3.

⁵ *Application for an Accounting Authority Order and Motion for Waiver*, (filed July 13, 2018), para. 3.

⁶ *Application for an Accounting Authority Order and Motion for Waiver*, (filed July 13, 2018), para. 3.

⁷ Ex. 100, Mark L. Oligschlaeger Rebuttal, p. 5; Ex. 200, Kerri Roth Rebuttal, pp. 5-6; and section 386.370, RSMo.

⁸ Ex. 200, Kerri Roth, pp. 5-6.

⁹ Ex. 100, Oligschlaeger Rebuttal, p. 8; and section 386.370, RSMo.

7. The Commission formulates its budget for the coming fiscal year (July 1 through June 30) and then determines which portion of that budget should be assigned to each of its regulated industries based on the amount of “direct costs”¹⁰ incurred by the Commission for each type of utility during the preceding fiscal year.¹¹ Additionally, the Commission apportions the “common costs”¹² to each utility industry based on that industry’s share of total Missouri-jurisdictional utility revenues during the preceding fiscal year.¹³ The assessment costs are then divided among each individual utility within an industry (electric, natural gas, water and sewer, steam heat, and telecommunications) based on that utility’s proportional share of Missouri-jurisdictional revenues during the preceding calendar year.¹⁴

8. The assessment amounts fluctuate from year-to-year because of the statutory process for calculating Commission assessments.¹⁵

9. In June 2018, the Commission’s letter advising Spire Missouri of its FY 2019 assessment was issued.¹⁶

10. The FY 2019 assessment for Spire Missouri was \$4,904,390.63, an increase of \$1,661,778.53 from the FY 2018 assessment.¹⁷

11. In the past, the percentage change in assessment amounts for the entities that now make up Spire Missouri (Missouri Gas Energy and Laclede Gas Company) has

¹⁰ “‘Direct costs’ are costs incurred by the Commission in relation to a specific type of utility industry.” (Ex. 100, Oligschlaeger Rebuttal, p. 5, fn. 1.)

¹¹ Ex. 100, Oligschlaeger Rebuttal, p. 5.

¹² “‘Common costs’ are costs incurred by the Commission that are not specific to any particular utility industry.” (Ex. 100, Oligschlaeger Rebuttal, p. 6, fn. 2.)

¹³ Ex. 100, Oligschlaeger Rebuttal, p. 6; and Ex. 200, Roth Rebuttal, Schedule KNR-5.

¹⁴ Ex. 100, Oligschlaeger Rebuttal, p. 7; See *also*, section 386.370, RSMo.

¹⁵ Ex. 100, Oligschlaeger Rebuttal, p. 6.

¹⁶ Ex. 1, Scott A. Weitzel Direct, p. 3.

¹⁷ Ex. 1, Weitzel Direct, p. 3.

varied from a decrease of 14.9% to an increase of 16.9% in one year.¹⁸ The following chart shows the changes over the last ten years:¹⁹

Fiscal Year	Combined Annual Assessment (Spire Missouri East and Spire Missouri West)	Percent Change from the Previous Year
2008	\$4,147,693.60	
2009	\$3,980,583.92	-4.00%
2010	\$3,585,137.41	-9.90%
2011	\$4,041,676.12	12.70%
2012	\$3,463,112.65	-14.30%
2013	\$3,384,578.19	-2.30%
2014	\$3,384,369.51	0.00%
2015	\$3,954,922.54	16.90%
2016	\$3,364,459.91	-14.90%
2017	\$2,916,945.74	-13.30%
2018	\$3,242,612.10	11.20%
2019	\$4,904,390.63	51.20%

12. The FY 2017 and FY 2018 assessments were the lowest assessments in the eleven years prior to the FY 2019 assessments.²⁰

13. Spire Missouri's current rates became effective on April 19, 2018, as a result of the Commission's *Amended Report and Order* in File Nos. GR-2017-0215 and GR-2017-0216 ("rate cases").²¹

¹⁸ Ex. 1, Weitzel Direct, p. 6.

¹⁹ Ex. 1, Weitzel Direct, p. 6.

²⁰ Ex. 100, Oligschlaeger Rebuttal, p. 11.

²¹ Ex. 1, Weitzel Direct, p. 3.

14. The revenue requirements in the rate cases included Spire Missouri's FY 2018 assessment.²²

15. The revenue requirements also reflected an amount for the rate case expense of Spire Missouri. However, in the recent rate cases, the Commission determined that rate case expense of Spire Missouri should be shared between the customers and the shareholders. This caused a decrease of almost \$1,000,000 to revenue requirement that Spire Missouri shareholders were not able to recover in rates.²³

16. There was an increase in natural gas regulatory activity at the Commission in 2017 and 2018, which caused the FY 2019 natural gas assessments to increase.²⁴

17. The increase in Spire Missouri's FY 2019 assessment was largely attributable to the amount of time and resources that Staff and Public Counsel spent in FY 2018 working on the Spire Missouri rate cases.²⁵

18. The proceedings in the rate cases were particularly complex in that there was a large number of issues and almost none of those issues settled prior to the hearing.²⁶

19. The Spire Missouri rate cases significantly increased the time spent on gas-related cases for the Commission, Staff, and Public Counsel, which in turn caused the assessment on all gas companies to increase in FY 2019.²⁷

20. The Commission assessments were not a contested issue in the rate cases.²⁸

²² Ex. 1, Weitzel Direct, p. 3.

²³ Ex. 1, Weitzel Direct, p. 3.

²⁴ Ex. 100, Oligschlaeger Rebuttal, p. 8.

²⁵ Tr. p. 61; and Ex. 100, Oligschlaeger Rebuttal, pp. 8-9; and Ex. 200, Roth Rebuttal, pp. 6 and 8-9.

²⁶ Ex. 100, Oligschlaeger Rebuttal, p. 9.

²⁷ Ex. 100, Oligschlaeger Rebuttal, pp. 8-9; and Ex. 200, Roth Rebuttal, pp. 6, and 8-9.

²⁸ Transcript, pp. 65-66.

21. Laclede Gas Company and Missouri Gas Energy (now Spire Missouri East and Spire Missouri West, respectively) each had rate cases processed in FY 2007.²⁹ The combined assessment amounts for Spire East and Spire West in FY 2008 was over \$4 million.³⁰

22. Laclede Gas Company and Missouri Gas Energy (now Spire Missouri East and Spire Missouri West, respectively) each had rate cases processed in FY 2010.³¹ The combined assessment amounts for Spire East and Spire West in FY 2011 was over \$4 million.³²

23. Laclede Gas Company and Missouri Gas Energy (now Spire Missouri East and Spire Missouri West, respectively) each had rate cases processed in FY 2014.³³ The combined assessment amounts for Spire East and Spire West in FY 2015 was approximately \$3.95 million.³⁴

24. The above figures show that Spire Missouri's assessments have a pattern of increasing to near or above \$4 million in every year following the combined rate cases for

²⁹ File No. GR-2006-0422, *In the Matter of Missouri Gas Energy's Tariff Sheets Designed to Increase Rates for Gas Service in the Company's Missouri Service Area*; and File No. GR-2007-0208, *In the Matter of Laclede Gas Company's Tariff to Revise Natural Gas Rate Schedules*.

³⁰ Ex. 1, Weitzel Direct, p. 6.

³¹ File No. GR-2009-0355, *In the Matter of Missouri Gas Energy and Its Tariff Filing to Implement a General Rate Increase for Natural Gas Service*; and File No. GR-2010-0171, *In the Matter of Laclede Gas Company's Tariff to Increase Its Annual Revenues for Natural Gas Service*.

³² Ex. 1, Weitzel Direct, p. 6.

³³ File No. GR-2013-0171, *In the Matter of Laclede Gas Company's Filing of Revised Tariffs to Increase its Annual Revenues for Natural Gas* (Although Public Counsel cited to an *Order Approving Stipulation and Agreement* issued April 23, 2014, at footnote 22 of *Public Counsel's Initial Brief*, an examination of the Commission's Electronic Information and Filing System (EFIS) shows that no such order was issued on that date in File No. GR-2013-0171. This case was partially processed in FY 2014, but was mostly processed in FY 2013.); File No. GR-2014-0007, *In the Matter of Missouri Gas Energy, Inc.'s Filing of Revised Tariffs to Increase its Annual Revenues for Natural Gas* (Again, Public Counsel's citation in footnote 22 of *Public Counsel's Initial Brief* incorrectly cites the date of the *Order Approving Stipulation and Agreement*. The correct date was April 23, 2014.); and Ex. 200, Roth Rebuttal, p.11.

³⁴ Ex. 1, Weitzel Direct, p. 6.

the last ten years.³⁵ Increases in Commission assessments are not unusual or nonrecurring, especially in a year following the processing of multiple rate cases.

25. Spire Missouri's gross operating revenues were approximately \$1.1 billion for calendar year 2017, which was approximately 85% of all Missouri-jurisdictional regulated gas utility operating revenues for that year.³⁶

26. Spire Missouri's Missouri-jurisdictional operating revenues increased approximately \$76 million from calendar year 2016 through calendar year 2017.³⁷ All other regulated gas companies in Missouri experienced revenue losses for that same period.³⁸ This discrepancy in revenues caused Spire Missouri's portion of the FY 2019 assessment allocation for gas companies to increase.³⁹

27. An AAO is an order from the Commission authorizing a utility to report an item differently than prescribed in the uniform system of accounts (USOA) adopted by the Commission for utility accounting purposes.⁴⁰ AAO applications generally seek deferral of costs as a "deferred asset" or "regulatory asset" on the utility's income statement, to be considered in a later rate case for inclusion in rates.⁴¹ Spire Missouri's application seeks this type of accounting treatment.⁴²

28. "Extraordinary events are events that are unusual, unique and not-recurring. The classic example of an extraordinary event impacting utility operations and costs are

³⁵ Ex. 1, Weitzel Direct, p. 6.

³⁶ Ex. 202, Portions of the 2016 and 2017 Annual Reports filed by Missouri's Regulated Gas Companies.

³⁷ Ex. 202, Portions of the 2016 and 2017 Annual Reports filed by Missouri's Regulated Gas Companies.

³⁸ Ex. 202, Portions of the 2016 and 2017 Annual Reports filed by Missouri's Regulated Gas Companies.

³⁹ Ex. 202, Portions of the 2016 and 2017 Annual Reports filed by Missouri's Regulated Gas Companies.

⁴⁰ Ex. 100, Oligschlaeger Rebuttal, p. 3.

⁴¹ Ex. 100, Oligschlaeger Rebuttal, p. 3.

⁴² *Application for an Accounting Authority Order and Motion for Waiver*, (filed July 13, 2018).

the occurrence of natural disasters, or so-called ‘acts of God,’ such as severe wind and ice storms, and major flooding.”⁴³

29. “The ‘yardstick’ generally used by the Commission to measure materiality of a cost proposed for deferral treatment is whether the cost in question is at least equal to 5.0% of the utility’s net income.”⁴⁴

30. Spire Missouri’s total income for the twelve months ending June 2018 was approximately \$141.8 million. Thus, the increase of \$1.66 million in the FY 2019 assessment was approximately 1% of income.⁴⁵

31. While Spire Missouri’s FY 2019 assessment expense increased since the rate cases, other costs (such as the cost of debt) may have decreased since the rate cases.⁴⁶

32. Typically, the Commission has used an AAO for situations that are so rare and infrequent that no rate allowance is included in its rates to recover the costs.⁴⁷ The Commission typically uses “tracker mechanisms . . . to measure ongoing differences between the amount of a utility’s actual incurred costs and the amount of rate recovery for that cost. That difference is then eligible for possible subsequent inclusion in customer rates.”⁴⁸

⁴³ Ex. 100, Oligschlaeger Rebuttal, p. 3, Ins. 16-19.

⁴⁴ Ex. 100, Oligschlaeger Rebuttal, p. 11, Ins. 4-6. See *a/so*, 18 C.F.R. § Pt. 201, General Instruction No. 7.

⁴⁵ Ex. 200, Roth Rebuttal, p. 6-7. See *a/so*, Weitzel Direct, p. 8, In. 31 – p. 9, In. 1, where Mr. Weitzel admits that the FY 2019 assessment increase does not meet the 5% of income threshold.

⁴⁶ Tr. pp. 46 and 51.

⁴⁷ Ex. 100, Oligschlaeger Rebuttal, p. 13.

⁴⁸ Ex. 100, Oligschlaeger Rebuttal, p. 13, Ins. 6-8.

Conclusions of Law

A. Spire Missouri is a “gas corporation” and “public utility” subject to the jurisdiction of the Commission.⁴⁹

B. It is well settled in Missouri law that there is a prohibition against “single-issue ratemaking.” That is, the Commission may not allow a public utility to change an existing rate without consideration of all relevant factors such as operating expenses, revenues, and rates of return.⁵⁰

C. The Commission may “prescribe uniform methods of keeping accounts, records and books to be observed by gas corporations”⁵¹ Additionally, the Commission may “prescribe by order the accounts in which particular outlays and receipts shall be entered, charged or credited.”⁵²

D. Commission rule 4 CSR 240-40.040 requires Missouri regulated gas corporations to keep all accounts in conformity with the Uniform System of Accounts . . . as prescribed by the Federal Energy Regulatory Commission (FERC) and published at 18 CFR part 201 (1992) and 2 FERC Stat. & Regs. Paragraph 20,001 and following (1992), except as otherwise provided in this rule.”⁵³ However, after a hearing, the Commission can change the prescribed accounts in which particular outlays and receipts shall be entered, charged, or credited.⁵⁴

⁴⁹ Section 386.020, RSMo.

⁵⁰ *State ex rel. Mo. Water Co.*, 308 S.W.2d at 718-19; *State ex rel. Util. Consumers Council of Mo., Inc. v. Pub. Serv. Comm'n*, 585 S.W.2d 41, 56-58 (Mo. 1979).

⁵¹ Subsection 393.140(4), RSMo.

⁵² Subsection 393.140(8), RSMo.

⁵³ 4 CSR 240-40.040(1).

⁵⁴ Section 393.140(8), RSMo.

E. Missouri courts have recognized the Commission's regulatory authority to grant a form of relief to a utility in the form of an AAO "which allows the utility to defer and capitalize certain expenses until the time it files its next rate case."⁵⁵

F. An AAO is a deferral mechanism that allows a utility to "defer and capitalize certain expenses until it files its next rate case."⁵⁶ The courts have stated that an AAO allows the deferral of a final decision on current *extraordinary* costs until a rate case and therefore is not retroactive ratemaking.⁵⁷ Although an AAO allows a cost to be placed in a separate account for future consideration, it does not create an expectation of recovery, nor does it bind the Commission to any particular ratemaking treatment.⁵⁸

G. When evaluating whether an event should be considered extraordinary, the Commission will look to the appropriate USOA for guidance.⁵⁹ However, for accounting purposes, the consistent meaning of an extraordinary item is an event that is considered unique, unusual and nonrecurring.

H. The Missouri Court of Appeals has also said that a request for a tracker is "the same as a request for an AAO, as it seeks to book a particular cost, normally charged as an expense on a utility's income statement in the current period, to the utility's balance sheet as a regulatory asset or regulatory liability."⁶⁰

⁵⁵ *State ex rel. Aquila, Inc. v. Public Service Comm'n of State*, 326 S.W.3d 20, 27 (Mo. App. 2010). See also, Section 393.140, RSMo.

⁵⁶ *Mo. Gas Energy v. Pub. Serv. Comm'n*, 978 S.W.2d 436 (Mo.App W.D. 1998).

⁵⁷ *State ex rel. Mo. Gas Energy v. Pub. Serv. Comm'n*, 301 S.W.3d 556 at 569-570 (Mo.App.2009).

⁵⁸ *Id.*

⁵⁹ *Kan. City Power & Light Co.'s Request for Auth. To Implement a General Rate Increase for Elec. Serv. v. Pub. Serv. Comm'n*, 509, S.W.3d 757, 769-770 (Mo.App. W.D. 2016).

⁶⁰ *In Matter of Kansas City Power & Light Co.'s Request for Auth. to Implement a Gen. Rate Increase for Elec. Serv. v. Missouri Pub. Serv. Comm'n*, 509 S.W.3d 757, 769 (Mo. Ct. App. 2016).

I. The Commission previously determined, and the Missouri Court of Appeals, Western District affirmed, that the “use of trackers should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri.”⁶¹

J. The USOA, allows for deferral for “extraordinary items.” General Instruction No. 7, states:

Extraordinary items. It is the intent that net income shall reflect all items of profit and loss during the period with the exception of prior period adjustments Those items related to the effects of events and transactions which have occurred during the current period and which are of **unusual nature and infrequent occurrence** shall be extraordinary items. Accordingly, they will be events and transactions of significant effect which are **abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future.** (In determining significance, items should be considered individually and not in the aggregate. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action should be considered in the aggregate.) To be considered as extraordinary under the above guidelines, an item should be more than approximately 5 percent of income, computed before extraordinary items. Commission approval must be obtained to treat an item of less than 5 percent, as extraordinary.⁶²

K. Consistent with the language in General Instruction No. 7, the Commission has evaluated the increase in assessment costs for which Spire Missouri seeks an AAO to determine if it is an unusual and infrequent occurrence. The Commission concludes it is not. Therefore, the increase in assessment costs is not extraordinary.

⁶¹ *In Matter of Kansas City Power & Light Co.'s Request for Auth. to Implement a Gen. Rate Increase for Elec. Serv. v. Missouri Pub. Serv. Comm'n*, 509 S.W.3d 757, 769 (Mo. Ct. App. 2016), quoting File No. ER-2014-0370, *In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service, Report and Order* (issued September 2, 2015).

⁶² 18 C.F.R. § Pt. 201, General Instruction No. 7. (Emphasis added.)

L. The Commission calculates the annual assessment for Spire Missouri and every other utility under its jurisdiction according to section 386.370, RSMo. This statutory provision has been in effect since 1947.⁶³

Decision

Spire Missouri has requested that the Commission approve the use of a deferral accounting mechanism to defer expenses incurred as a result of an increase of approximately \$1.66 million in its FY 2019 assessment from the Commission. Spire Missouri's request is more similar to a request for a tracker than for a traditional AAO.⁶⁴ However, because a request for a tracker is the same as a request for an AAO, the Commission applies the same analysis to either deferral mechanism.

The Commission has the statutory authority to prescribe methods for gas corporations to keep their accounts, records, and books.⁶⁵ The Commission has set forth in its rules that gas corporations must keep their accounts in conformity with the USOA as prescribed by FERC. The USOA provides for deferral accounting for "extraordinary items" which are defined as:

Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence shall be extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and

⁶³ Section 386.370, RSMo.

⁶⁴ An AAO is an authorization from the Commission to authorizing a utility to report an item differently than prescribed in the USOA. Spire Missouri also indicates that it would be willing to have a mechanism more in the nature of a "tracker" whereby the increases in assessment values over the FY 2018 amount (which is the amount incorporated into rates through the recent rate cases) would receive deferred accounting treatment as a regulatory asset, and any decreases in that assessment amount would receive deferred accounting treatment as a regulatory liability. That asset or liability could then be considered in the next rate case for possible inclusion in rates. Trackers have traditionally been used in the context of a rate case to track future expenses and have been used for a particular policy reason. Whereas, AAOs have traditionally been implemented to account for a past expense that would not otherwise be possible to be recovered in rates.

⁶⁵ Section 393.140(4), RSMo.

significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to recur in the foreseeable future.⁶⁶

However, the Commission has previously found (and the Court has agreed) that the use of these deferral accounting mechanisms “should be limited because they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentives a utility has to operate efficiently and productively under the rate regulation approach employed in Missouri.”⁶⁷

The evidence showed that the Commission assessments are not extraordinary, unusual and unique, or nonrecurring. Rather, Commission assessments have been calculated and assessed to utilities according to statute for many years on a set schedule.

Spire Missouri argues that the rate cases were a unique event because these were the first ever combined rate cases of the former Laclede Gas Company and Missouri Gas Energy. Additionally, Spire Missouri argues that it was the large increase in the assessment, not the assessment itself that makes this an extraordinary event. However, the evidence showed that it is not unusual for assessments to increase substantially in the year following a rate case. The combined assessments of Spire Missouri’s predecessors increased to more than \$4 million in 2008 and 2011 and to nearly \$4 million in 2015, each of the years following rate cases, even though those cases were largely settled. Therefore, Spire Missouri could have anticipated a larger increase in assessment amounts in the year following the large and contentious rate cases.

⁶⁶ 18 C.F.R. § Pt. 201, General Instruction No. 7.

⁶⁷ *In Matter of Kansas City Power & Light Co.'s Request for Auth. to Implement a Gen. Rate Increase for Elec. Serv. v. Missouri Pub. Serv. Comm'n*, 509 S.W.3d 757, 769 (Mo. Ct. App. 2016).

Further, even though the increase over the previous year seems very large (52%), the percentage of increase was exacerbated by two circumstances. First, the preceding two years had the lowest assessments of the previous eleven years, making any increase for the rate cases appear greater than it would have ten years earlier. Second, because Spire Missouri had a substantial income increase in 2017 when all the other regulated gas utilities in Missouri had decreased incomes, Spire Missouri's apportionment percentage of the total Commission assessment was greater. Neither of these two circumstances are "abnormal and significantly different from the ordinary and typical activities of the company." Rather, the assessment, even though greater than the previous assessments, was a normal and ordinary company expense.

Spire Missouri also argued that this increased assessment amount should be deferred because it is essentially the rate case expenses of Staff and Public Counsel, and the Commission determined in the rate cases that the ratepayers and the shareholders should share rate case expenses 50/50. Spire Missouri argued that without the deferral, there is no way that ratepayers and shareholders will be able to "share" the rate case expenses of Staff and Public Counsel, because there will be no opportunity to include the increased assessment value in revenue requirement and, therefore, in rates. Spire Missouri's argument is not persuasive.

In setting just and reasonable rates during the rate cases, Spire Missouri was allowed to include in its revenue requirement an amount to cover the Commission assessment. The assessment expense was not a contested issue in those rate cases. Now Spire Missouri is requesting the Commission single out one increased expense for special deferred treatment without consideration for other items of profit or loss. The

Commission denied similar requests by Kansas City Power & Light Company and Missouri-American Water Company in recent decisions.⁶⁸ The Court upheld the Commission's determination in the Kansas City Power & Light Company that under the USOA deferral accounting mechanisms should be limited since they violate the matching principle, tend to unreasonably skew ratemaking results, and dull the incentive for a utility to operate efficiently.⁶⁹

The evidence presented in this case showed that Spire Missouri's Commission assessment costs, while having increased 52% in FY 2019 over the FY 2018 assessment, was a normal, ordinary, and recurring cost. This recurring cost was not abnormal or significantly different from the ordinary and typical activities of the company, so it is not extraordinary and, therefore, not subject to deferral under the USOA. Having determined the assessment cost is not extraordinary under the first part of the USOA definition, the Commission need not reach the question of whether the cost is "material."

The Commission concludes that Spire Missouri has not met its burden of proof to demonstrate that the increased assessment cost was extraordinary. Therefore, Spire Missouri's request for an accounting deferral mechanism is denied.

THE COMMISSION ORDERS THAT:

1. The application for an Accounting Authority Order filed by Spire Missouri Inc. is denied.

⁶⁸ *In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service*, File No. ER-2014-0370, *Report and Order* (issued September 2, 2015) (affirmed in *Kansas City Power & Light Co.'s Request for Auth. To Implement a General Rate Increase for Elec. Serv. v. Pub. Serv. Comm'n*, 509, S.W.3d 757 (Mo.App. W.D. 2016)); and *In the Matter of the Application of Missouri-American Water Company for an Accounting Authority Order Related to Property Taxes in St. Louis County and Platte County*, File No. WU-2017-0351, *Report and Order* (issued December 20, 2017).

⁶⁹ *Kansas City Power & Light Co.'s Request for Auth. To Implement a General Rate Increase for Elec. Serv. v. Pub. Serv. Comm'n*, 509, S.W.3d 757 (Mo.App. W.D. 2016)

2. This order shall become effective on April 19, 2019.



BY THE COMMISSION

A handwritten signature in dark ink, reading "Morris L. Woodruff".

Morris Woodruff
Secretary

Silvey, Chm., Kenney, Hall, Rupp, and
Coleman, CC., concur.

Dippell, Senior Regulatory Law Judge

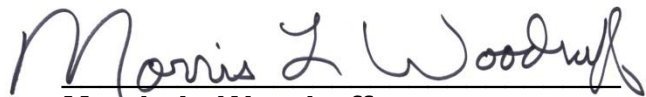
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 20th day of March 2019.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

March 20, 2019

File/Case No. GU-2019-0011

**Missouri Public Service
Commission**

Staff Counsel Department
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
staffcounsel@psc.mo.gov

Office of the Public Counsel

Marc Poston
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102
opc@psc.mo.gov

Midwest Energy Consumers Group

David Woodsmall
308 E. High Street, Suite 204
Jefferson City, MO 65101
david.woodsmall@woodsmalllaw.com

**Missouri Public Service
Commission**

Jeff Keevil
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
jeff.keevil@psc.mo.gov

Spire

Dean L Cooper
312 East Capitol
P.O. Box 456
Jefferson City, MO 65102
dcooper@brydonlaw.com

Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.