

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

In the Matter of Spire Missouri Inc.’s)
Request for Authority to Implement a)
General Rate Increase for Natural Gas) File No. GR-2025-0107
Service Provided in the Company’s)
Missouri Service Areas)

REPLY TO RESPONSE TO MOTION TO ESTABLISH TEST YEAR

COMES NOW Spire Missouri Inc. (“Spire Missouri” or “Company”), by and through counsel, and submits this *Reply to Response to Motion to Establish Test Year*, stating the following:

1. On November 25, 2024, Spire Missouri filed tariffs to increase its revenues with supporting direct testimony. On the same date, Spire Missouri filed its *Motion to Set Test Year and Allow Discrete Adjustments*, which requested the Missouri Public Service Commission (“Commission”) set a historic test year based on the 12-month period ending September 30, 2024, with a true-up period through May 31, 2025. Spire Missouri also requested that the Commission allow all parties to propose discrete adjustments beyond the true-up date before the rate effective date.

2. On January 6, 2025, Staff of the Commission (“Staff”) filed its *Response to Spire Missouri Inc.’s Motion to Establish Test Year*. While Staff did not oppose the proposed test year or true-up period, Staff requested the Commission deny Spire Missouri’s request to allow all parties to propose discrete adjustments.

3. Spire Missouri appreciates Staff’s support for the proposed test year and true-up period. However, Spire Missouri maintains its request that the Commission should allow all parties to propose discrete adjustments so that Spire Missouri’s rates set as a result of this case are based on the best evidence of the true cost of service at the time rates go into effect and the lag in the

recovery of its investments in the safety and reliability of its infrastructure is reduced to the extent possible.

4. Staff's opposition to Spire Missouri's request to allow all parties to propose discrete adjustments is mainly focused on Spire Missouri's request to include capital investment made after the true-up date but before the effective date of new rates. Staff states that Spire Missouri is asking for preapproval of potential adjustments and asking to include an estimate of investment in customer rates. Staff's concerns are that estimated costs would be included in rates prior to investments being completed, and, therefore, customers would be paying for a rate increase prior to receiving a benefit from such investments. Staff further notes that to include such adjustments would violate the known and measurable standard, the matching principle, and the used and useful standard.

5. In this case, Spire Missouri has requested that the Commission allow all parties to propose discrete adjustments beyond the true-up period but before the rate effective date. The Commission is within its jurisdiction to consider adjustments for events occurring outside of the test year, and, in doing so, must evaluate whether the adjustments are "(1) 'known and measurable,' (2) [promotes] the proper relationship of investment, revenues and expenses, and (3) [are] representative of the conditions anticipated during the time the rates will be in effect." The Commission has allowed discrete adjustments in other rate cases in Missouri,¹ most recently in

¹ See *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Order Regarding Test Year, File No. WR-2017-0285 (August 9, 2017), *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Order Setting Test Year and Adopting Procedural Schedule, File No. WR-2020-0344 (August 26, 2020), *In the Matter of Missouri-American Water Company's Request for Authority to Implement General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas*, Order Setting Procedural Schedule, File No. WR-2022-0303 (August 17, 2022), and *In the Matter of Missouri-American Water Company's Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri's Service Areas*, Order Regarding Test Year, File No. WR-2024-0320 (July 31, 2024)

Case No. WR-2024-0320. While the Company has included in its direct testimony the items that it plans to propose as discrete adjustments, the Company is not requesting preapproval of such adjustments and does not request that these estimated costs be the final discrete adjustments made. The discrete adjustments that the Company is proposing are also not limited to plant investments, but also include adjustments for expenses that directly impact its cost of service.

6. For the plant investments, Spire Missouri agrees with Staff – estimated investments in plant that have not been placed in service and audited should not be included in rates. While the plant investments that Spire Missouri is proposing as discrete adjustments are currently estimates, the Company does not intend for these estimates to represent the final discrete adjustments it will request. Spire Missouri recognizes that construction schedules change and that Staff will require time to audit the plant investments. To address Staff’s concerns of the plant being used and useful and the costs being known and measurable, the Company would propose a cut-off date for such adjustments to allow Staff the necessary time to audit the completed, in-service investments. .

7. While Staff focuses on the plant investments, Spire Missouri has also requested the Commission allow discrete adjustments to address expenses that will change between the true-up period and the rate effective date that impact the Company’s true cost of service. These are expenses that will be known and measurable after the true-up date and before the effective date of rates and will directly impact that the Company’s cost of service. For example, the Company has new labor agreements, one of which already negotiated and executed, that will be effective starting in August 2025, and the Company is exiting its lease at 800 Market Street in July 2025. Both of these items are certain to occur and the adjustments necessary are known.

8. Finally, Staff has stated that the Company’s request to allow discrete adjustments would violate the matching principle, which requires that revenues, expenses, rate base and rate of

return should be analyzed over a common period of time. The Company's proposal does not result in a violation of the matching principle as it is not proposing discrete adjustments for the purpose of making isolated adjustments to rate base or a single expense but is seeking to have rates set that reflect the true cost of service and its in-service capital investments. The Company is proposing adjustments that will both increase and decrease its revenue requirement and is further proposing that other parties have the ability to do the same.

WHEREFORE, Spire Missouri respectfully requests that the Commission order a historic test year based on the 12-month period ending September 30, 2024, with a true-up period through May 31, 2025, and allow all parties to propose discrete adjustments, and order any other relief as is just and reasonable.

Respectfully submitted,

/s/ J. Antonio Arias

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ATTORNEYS FOR SPIRE MISSOURI INC.

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been sent either by mail or electronic mail to all parties of record on this 7th day of January, 2025.

/s/ J. Antonio Arias

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