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

| | | |
|---|---|---|
| In the Matter of Spire Missouri, Inc., | ) | |
| d/b/a Spire Purchased Gas | ) | Case No. GR-2023-0217 |
| Adjustment Tariff Filing | ) | |

**SPIRE MISSOURI INC.'S RESPONSE TO STAFF RECOMMENDATION REGARDING SPIRE MISSOURI INC., D/B/A SPIRE'S 2022-2023 ACTUAL COST ADJUSTMENT FILING**

**COMES NOW** Spire Missouri, Inc. ("Spire" or the "Company"), by and through undersigned counsel, and in response to Staff of the Missouri Public Service Commission's ("Staff") Actual Cost Adjustment ("ACA") Recommendation and Memorandum (Appendix A to the Recommendation) regarding Spire's 2022-2023 ACA filing, states:

1. On November 1, 2023, Spire Missouri filed revised tariff sheets with the Missouri Public Service Commission ("Commission") for the Spire East and Spire West Purchased Gas Adjustment ("PGA"), for the 2022-2023 period, which reflected changes to its Actual Cost Adjustment ("ACA").

2. On November 8, 2023, Staff of the Commission ("Staff") recommended approval of Spire Missouri's revised tariff sheets on an interim basis and requested a Commission order directing the filing of its recommendation on December 16, 2024.

3. On December 13, 2024, Staff issued its Recommendation and Memorandum, making recommendations to the Company's proposed ACA balances, and providing comments and recommendations on the Company's gas purchasing practices, reliability, and hedging practices. Staff also reviewed the Company's billed revenues compared with its actual gas costs. The Company will first address the latter comments and recommendations, before responding to Staff's recommendations to the Company's proposed ACA balances.

## STAFF'S COMMENTS AND NON-FINANCIAL RECOMMENDATIONS

4. **Reliability and Gas Supply Analysis.** Staff recommends that Spire continue to monitor its pipeline supply contracts and maintain an appropriate reserve margin for its service territories. Spire agrees to this recommendation and further provides that it constantly monitors its pipeline supply contracts and maintains an appropriate reserve margin.

5. **Hedging.** Staff recommends that Spire evaluate its hedging strategy in response to changing market dynamics as to how much the existing hedging strategy actually benefits its customers while balancing market price risk. Staff also recommends Spire continue to evaluate the performance of its hedge program in terms of the various types of financial instruments used, whether the existing program should be modified under the current market. Finally, Staff recommends that Spire document in detail the rationale for its hedging decisions with executions of financial transactions. Spire agrees to these recommendations on the Company's hedging practices.

## STAFF'S ADJUSTMENTS TO THE COMPANY'S PROPOSED ACA BALANCES

6. Staff recommends the following ACA balances ending September 30, 2023:

| September 30, 2023 Ending ACA Balances | | | |
|---|---|---|---|
| **Spire East** | **Company Filing** | **Staff Adjustments** | **Staff Recommended** |
| Firm Sales | $ 146,160,093.08 | $ (2,623,661.34) | $ 143,536,431.74 |
| LP Sales | $ 7,207.82 | $ - | $ 7,207.82 |
| **Spire West** | | | |
| Firm Sales | $ 126,336,249.35 | $ (669,876.30) | $ 125,666,373.05 |

7. Staff recommends disallowances to final ACA balances for Spire's East service territory ("Spire East"), in the amount of $2,623,661.34 and for Spire's West service territory ("Spire West") in the amount of $669,876.30.

8. In Spire West, Staff recommends the following disallowances:

a. Lost and Unaccounted for Gas, $626,871.50;
b. Unprovided supplier invoice, $42,000; and
c. ACA Interest, $1,004.80.

9. In Spire East, Staff recommends the following disallowances:

a. Lost and Unaccounted for Gas, $1,861,823.38;
b. Line of Credit Fees, $704,599.77; and
c. ACA Interest, $57,238.19.

10. For Spire West, Staff recommends a disallowance related to a supplier invoice. It's important to point out that this supplier invoice was actually related to a credit to the PGA/ACA and therefore if it were removed, it would actually result in an increase to the PGA/ACA balance rather than a decrease. However, Spire has since provided this invoice to Staff and has confirmed Staff has now received the invoice. Once Staff has the opportunity to review this invoice, Spire is hopeful that this issue will be resolved, and the $42,000 adjustment can be removed in its entirety. Please see Exhibit 1 for a copy of the confidential invoice.

11. For Spire East, Staff recommends a disallowance related to line of credit fees because the specific language allowing for recovery of line of credit fees related to storage inventory in the ACA has been removed from the tariff. Staff believes that a rate case is the appropriate forum for Spire to seek recovery of this expense item.

12. Spire agrees in part, and disagrees in part, with this assertion. As background, in Case No. GR-2017-0215, in its Amended Report and Order, the Commission reviewed whether gas inventory charges should be recovered through the PGA/ACA or included in rate base for Spire East. In that order, the Commission deemed it appropriate to remove gas inventory charges from the PGA and put them into rate base to align Spire East with Spire West and every other gas

utility in the state.[1] As a result of this decision, the Commission also ordered that ***associated*** carrying costs and line of credit fees should also be removed from PGA.[2] These associated carrying costs and line of credit fees were limited to those associated with gas inventory charges. The Commission did not order all carrying costs and line of credit fees to be removed from the PGA/ACA.

13. In response to the Commission order, the following tariff language associated with line of credit fees was removed from the tariff:

> In addition, an allocation of monthly line of credit fees shall also be charged to the deferred purchase gas cost accounts and shall represent the difference between total line of credit fees (after allocation of holding company fees to affiliates) and the amount allocated to Construction Work in Progress ("CWIP"). The amount allocated to CWIP shall be based on the ratio of CWIP balances each month to the total balances of CWIP, and net PGA balances (to the extent such net PGA balances are positive).

14. However, the removal of this entire section from the tariff was a mistake. Line of credit fees are necessary fees used to help manage hundreds of millions of dollars of gas costs. Gas costs and deferred gas balances can vary greatly and can be significant, for example during Winter Storm Uri. A line of credit is necessary to manage gas costs and the large fluctuations in gas cost purchases which occur before customers are billed for these gas costs and the proceeds of those bills are received. It is therefore appropriate to maintain line of credit fees within the PGA/ACA as it was never intended that all line of credit fees be removed, but rather, only the allocation being made to storage inventory balances.

15. Spire proposes to address this by proposing a new tariff filing for sheet No. 11.3 which adds back the original line of credit language, but explicitly states that storage inventories

---

[1] See Amended Order and Report, GR-2017-0215, at p. 67.
[2] ***Id.*** at p. 68.

shall not be allocated these fees, as outlined below. Also, please see Exhibit 2 for a specimen tariff sheet with these changes reflected.

> In addition, an allocation of monthly line of credit fees shall also be charged to the deferred purchase gas cost accounts and shall represent the difference between total line of credit fees (after allocation of holding company fees to affiliates) and the amount allocated to Construction Work in Progress ("CWIP"). The amount allocated to CWIP shall be based on the ratio of CWIP balances each month to the total balances of CWIP, and net PGA balances (to the extent such net PGA balances are positive). **Storage inventories shall not be allocated line of credit fees.**

16. As a result of this change, Spire has recalculated the line of credit fees excluding storage inventories from the allocation which results in an adjustment to the ACA balance for Spire East of $51,644.84 compared to the $704,599.77 adjustment proposed by Staff for line of credit fees. Please see Confidential Exhibit 3 which removes the storage inventories from the allocation and recalculates the line of credit fees necessary to allocate to the PGA/ACA to manage the hundreds of millions of dollars associated with gas costs for serving customers.

17. For both Spire East and Spire West, Staff recommends a disallowance related to the Lost and Unaccounted for Gas ("UAF") adjustment made by Spire. In calculating UAF, Spire multiplied the UAF adjustment volumes by the distribution margin rates. Staff feels this UAF adjustment is unnecessary.

18. Given the magnitude of this disallowance and the complexities associated with this adjustment, Spire proposes that the Company and Staff meet within 30 days of Spire's response to have a technical/settlement conference to discuss Staff's findings related to this issue.

19. Finally, Staff proposed disallowances for both Spire East and West associated with the interest related to the adjustments it proposed. Spire has reviewed these adjustments and based on its review believes the interest disallowance needs to be adjusted for four reasons.

a. For Spire West, the removal of the supplier invoice disallowance will reduce the interest disallowance.

b. For Spire East, Spire's proposed adjustment to the line of credit disallowance will reduce the interest disallowance.

c. For Spire East, Staff removed prior period ACA balances from the line of credit balance in calculating the interest disallowance.

d. For Spire East and West, the outcome of the technical/settlement conference related to the UAF disallowance may result in a change to the proposed interest disallowance.

e. In summary, given the complexities associated with some of the disallowances in this PGA/ACA case and the ultimate need to adjust the interest disallowances associated with any adjustments, Spire proposes that the Company and Staff meet within 30 days of Spire's response to have a technical/settlement conference to discuss the issues in this case. Spire is hopeful that the parties may come to resolution on some issues through discussions and proposes that within 60 days of this filing parties will provide a joint status report, stipulation, or a joint procedural schedule for this case.

**WHEREFORE**, Spire requests this Commission order the parties in this case to file a joint status report, stipulation or joint procedural schedule in this case within 60 days.

Respectfully submitted,

*/s/ Sreenivasa Rao Dandamudi*

Matthew Aplington, MoBar #58565
General Counsel
Spire Missouri Inc.
700 Market Street, 6th Floor
St. Louis, MO 63101
(314) 342-0785 (Office)

Email: matt.aplington@spireenergy.com

Sreenivasa Rao Dandamudi, MoBar #50734
Associate General Counsel – Regulatory
Spire Missouri Inc.
700 Market Street, 6th Floor
St. Louis, MO 63101
(314) 342-0702 (Office)
Email: sreenu.dandamudi@spireenergy.com

J. Antonio Arias, MoBar #74475
Associate General Counsel – Regulatory
Spire Missouri Inc.
700 Market Street, 6th Floor St. Louis, MO 63101
(314) 342-0655 (Office)
Email: antonio.arias@spireenergy.com

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 13th day of January, 2025.

*/s/ Sreenivasa Dandamudi*
Sreenivasa Dandamudi