

## MEMORANDUM

**TO:** Missouri Public Service Commission  
Official Case File, Case No. GA-2025-0181

**FROM:** Jarrod J. Robertson – Water, Sewer, Gas & Steam Department  
Dr. Seoungjoun Won – Financial Analysis Department

/s/ Jarrod J. Robertson 2/21/25  
Case Manager

**SUBJECT:** Staff Recommendation for Approval of Certificate of Convenience and Necessity

**DATE:** February 21, 2025

### **EXECUTIVE SUMMARY**

On December 10, 2024, Spire Missouri, Inc. (“Spire”) filed an *Application for Certificate of Convenience and Necessity for Cedar County and Request for Waiver* (“Application”) with the Missouri Public Service Commission (“Commission”). In that Application, Spire proposes to construct, install, own, operate, maintain, and otherwise manage a natural gas system to provide natural gas service in Cedar County, Missouri, as a further expansion of its existing certified area. Spire also requests a waiver from the notice provisions of Rule 20 CSR 4240-4.017(1).

On December 16, 2024, the Commission issued its *Order and Notice*, setting a deadline for applications to intervene no later than January 5, 2025, and setting a deadline of January 16, 2025, for Staff to either file a Recommendation or a Status Report indicating when it expects to file a recommendation. As of today, no applications to intervene have been filed in this case.

On January 15, 2025, Staff filed *Staff’s Status Report and Motion for Extension of Time to File Staff Recommendation*, detailing Staff would file its Recommendation, March 17, 2025.

### **BACKGROUND OF SPIRE**

Spire is a “gas corporation” incorporated under the laws of the State of Missouri and a “public utility” as those terms are defined in Section 386.020 and 393.1009(4), RSMO., and is subject to the jurisdiction and supervision of the Commission as provided by law, with its principle office located at 700 Market Street, St. Louis, MO 63101. Spire is a Missouri corporation in good

standing, as evidenced by a Certificate of Good Standing submitted in prior case, Case No. GF-2005-0053, and is incorporated herein by reference. Spire is engaged in distributing and transporting natural gas to customers in Missouri, and is currently providing service to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, St. Genevieve, St. Francois, Madison, Butler, Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Christian, Clay, Clinton, Cooper, Dade, Dekalb, Greene, Henry Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald, Moniteau, Newton, Pettis, Platte, Ray, Saline, Stone, and Vernon.

### **CASE BACKGROUND**

According to the Application, Spire is requesting a Certificate of Convenience and Necessity (“CCN”) for Section 26, Township 36 North, Range 38 West of Cedar County (“Section 26”). This request for a CCN is related to Spire’s proposal to install 1,620 feet of four (4) inch plastic main and 760 feet of two (2) inch plastic service in order to provide natural gas service for a new manufacturing facility, \*\* [REDACTED] \*\* (the “Customer”), located in Section 26. While the proposed extension of its distribution system is intended to serve the Customer, there is also the potential to add an additional six (6) residential customers located between the end of the current main and the address of the Customer.

Regarding the proposed service territory and possible alternative utility providers, Staff issued Data Request (“DR”) No. 0009 asking:

Will the proposed service area, defined in the Application as, Section 26, Township 36 North, Range 38 West of Cedar County, abut Empire District Gas Company’s service territory? If yes, please describe the area of Empire’s service territory this occurs and to what extent. If not, please provide an estimated distance between the proposed service area and Empire’s current service territory boundary.

Spire responded:

- The proposed service area of Section 26, Township 36 North, Range 38 West will not abut Empire District Gas Company’s service territory. This proposed service area is in Cedar County, adjacent to certified areas of Spire Missouri. Empire District Gas Company is not

certified in Cedar County, but they have all of Vernon County, as stated in their currently effective tariffs with the PSC, which is directly west of the proposed service area that Spire is seeking.

Spire holds all necessary franchises and permits from municipalities, counties, or other authorities that are required for Spire to serve the subject areas.

### **STAFF'S INVESTIGATION**

#### **Publicity and Customer Notice**

Regarding publicity and customer notice, Staff issued DR No. 0010:

- 1) Please provide all documentation related to information provided to the "Customer" \*\* [REDACTED] \*\* regarding application for a Certificate of Convenience and Necessity.
- 2) Has the "Customer" been notified of the process by which rates may be increased, and the relative frequency with which rate cases occur for a utility regulated by the Public Service Commission, and if so, please provide all related documentation.

Spire Responded:

- When a potential customer approaches Spire for new service, Spire's Business Development reps collect information from the customer, such as expected load and distance from the Company's distribution main, and a customer profile is made. That information is then used to determine if it is feasible to provide service. If feasible, the Company advises the customer that it will begin its process to provide service, including obtaining regulatory approvals and why regulatory approval is necessary. The Company then files the CCN application. Spire's Business Development reps do not discuss the contents of the CCN filing, rate increases, or the rate case process with the customer unless specifically asked. Spire may discuss expected average bills upon customer request but that typically only occurs on a conversion project or with a customer who is expected to be a Large Industrial. During the CCN process, Spire does maintain transparency and

communication with potential customers on the status of the application and possible timelines for approval, as necessary.

### **Rate and Tariff Matters**

In its Application, Spire proposes to serve the Customer under Spire’s currently effective Large General Service (“LGS”) Tariff Sheet No. 4, and apply the currently effective rates as established in its most recent rate case, Case No. GR-2022-0179, or until rates are changed according to a Commission Order.

### **Rate Base**

No rate base calculation is performed at this time as there are no existing assets in the area to be certificated. Plant additions by Spire will be evaluated at the next rate case.

### **Financial Analysis**

Staff investigated whether Spire has the financial ability to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide gas service in Cedar County, Missouri, as a further expansion of its existing certificated area (the “Project”). Spire was identified by the Customer as the natural gas service provider with a franchise to serve the area in and around El Dorado Springs, Missouri, and was approached to provide natural gas service for a new manufacturing facility.<sup>1</sup>

Staff examined the cost of the Project and the financing plan of Spire. \*\* [REDACTED]

[REDACTED]

[REDACTED] \*\*. <sup>2</sup> No external financing will be required for construction relating to this project.<sup>3</sup>

Considering Spire’s financial capacity, Spire has the ability to provide the service. Currently, Staff has no concerns regarding Spire’s financial risk profile. Due to the relatively small total costs of

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<sup>1</sup> Paragraph 7, The Application,

<sup>2</sup> Staff Data Request No. 0006.

<sup>3</sup> Paragraph 11, The Application.

this Project, the financial ratios would not change.<sup>4</sup> Spire’s projected annual average capital expenditures through 2030 are greater than \*\* [REDACTED] \*\*.<sup>5</sup> According to Standard & Poor’s (“S&P”), Spire has a credit facility availability of about \$475 million.<sup>6</sup> Spire is a wholly-owned subsidiary of Spire, Inc. According to S&P, Spire, Inc. is expected to demonstrate robust capital expenditures of about \$650 million annually, while maintaining a \$1.3 billion syndicated revolving credit facility to cover its short-term funding needs.<sup>7</sup> Spire Inc.’s targeted 10-year capital expenditure through 2033 is \*\* [REDACTED] \*\*.<sup>8</sup> S&P and Moody’s both rated Spire and Spire Inc. as investment grade. S&P assigned a rating of “BBB+” to both companies, while Moody’s rated Spire as “A1” and Spire Inc. as “Baa2” respectively.<sup>9</sup> Given that the proposed total cost of the Project is less than 0.1% of Spire’s average capital expenditure, it is reasonable to conclude that Spire has the financial capability to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide gas service for the Project.

### **Tartan Criteria**

It is also customary with most cases involving a new CCN for Staff to utilize the Tartan Criteria when analyzing requests for a new CCN in order to determine whether a utility’s proposal meets the standard of being necessary or convenient for public service. Spire is proposing to extend its service territory in order to provide natural gas service to one (1) new customer and potentially six (6) more residential customers. Therefore, Staff asserts that the use of the Tartan Criteria is appropriate. The Tartan criteria contemplate: 1) need for service; 2) the utility’s qualifications; 3) the utility’s financial ability; 4) the feasibility of the proposal; and 5) promotion of the public interest. In previous CCN and CCN transfer cases Staff investigated these criteria and that investigation relates to this proposed acquisition. Based on Staff’s investigation, it is Staff’s opinion there is:

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<sup>4</sup> Staff Data Request No. 0002.

<sup>5</sup> Staff Data Request No. 0004.

<sup>6</sup> RatingsDirect, S&P Global Ratings. Spire Missouri Inc., May 30, 2023.

<sup>7</sup> RatingsDirect, S&P Global Ratings. Spire Inc., July 5, 2023.

<sup>8</sup> Slide 8, Spire Inc.’s First Quarter Fiscal 2024 Update.

<sup>9</sup> S&P Capital IQ Pro. Retrieved in October 1, 2024.

1) need for service;

The Customer approached Spire for natural gas service as there are no other alternative service providers in the area.

2) the utility's qualifications;

As previously mentioned, Spire is currently engaged in providing natural gas services in approximately 40 different counties of Missouri and the City of St. Louis. Spire is in good standing with the Secretary of State's office, is subject to the jurisdiction of the Commission and holds a franchise to serve in the area requested.

3) the utility's financial ability

As previously mentioned, Spire is a subsidiary of Spire, Inc., and given that the proposed total cost of the Project is less than 0.1% of Spire's average capital expenditure, it is reasonable to conclude that Spire has the financial capability to construct, install, own, operate, maintain, and otherwise control and manage a natural gas distribution system to provide gas service for the Project.

4) the feasibility of the proposal;

As noted earlier, no external financing will be needed to complete the construction related to this project.

5) promotion of the public interest;

Taking into consideration all of the factual findings set out herein and the positive nature of the preceding criteria, this proposed acquisition promotes the public interest.

### **OTHER ISSUES**

Spire is current on its natural gas PSC assessment payments, and is current on its annual reports, and is in good standing with the Secretary of State's office. Spire has no proceeding before the Commission that should impact the outcome of this case.

### **STAFF'S RECOMMENDATIONS AND CONCLUSIONS**

Staff's position, based on its review as described herein, is that the expansion of Spire's current service territory is not detrimental to the public interest. Staff therefore recommends approval of the requested CCN, subject to the conditions and actions as outlined herein:

1. Spire shall file an updated tariff sheet incorporating Section 26, Township 36 North, Range 38 West of Cedar County.
2. Spire shall hold ratepayers receiving service outside of the requested CCN area harmless from any expenses in excess of billed non-gas revenues.<sup>10</sup>
3. Require Spire to create and keep financial books and records for plant-in-service, revenues, and operating expenses (including invoices) in accordance with the NARUC Uniform System of Accounts; and
4. Make no finding that would preclude the Commission from considering the ratemaking treatment to be afforded any matters in any later proceeding.

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<sup>10</sup> The calculation of billed non-gas revenues should also exclude infrastructure system replacement surcharge ("ISRS") revenues.

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

In the Matter of the Application of Spire )  
Missouri Inc. for a Certificate of ) **Case No. GA-2025-0181**  
Convenience and Necessity to Construct, )  
Install, Own, Operate, Maintain, and )  
Otherwise Control and Manage Natural )  
Gas Distribution Systems in Cedar County, )  
Missouri as an Expansion of its Existing )  
Certified Areas )

**AFFIDAVIT OF JARROD J. ROBERTSON**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

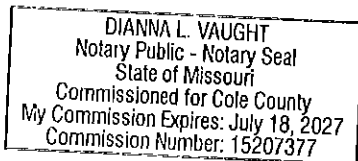
**COMES NOW JARROD J. ROBERTSON**, and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Staff Recommendation, in Memorandum form*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

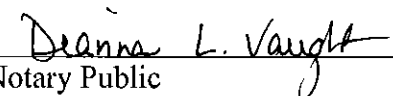
Further the Affiant sayeth not.

  
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**JARROD J. ROBERTSON**

**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 20<sup>th</sup> day of February 2025.



  
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Notary Public



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**AFFIDAVIT OF SEOUNG JOUN WON, PhD**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW SEOUNG JOUN WON, PhD**, and on his oath declares 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, under penalty of perjury.

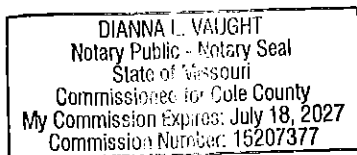
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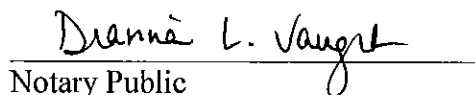


**SEOUNG JOUN WON, PhD**

**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 21<sup>st</sup> day of February 2025.



  
Notary Public