

3. On April 8, 2026, Staff filed its *Initial Staff Recommendation*, to which Spire filed its *Response to Initial Staff Recommendation* (“Spire’s Response”) on April 17, 2026. The *Initial Staff Recommendation* and Spire’s Response were substantively marked confidential.

4. On May 6, 2026, Spire filed its *Notice of Filing Public Versions of Spire Missouri’s Confidential Filings*, in which Spire indicated the material, non-public information contained in Spire’s Application and Spire’s Response is information reported in Spire’s quarterly Securities Exchange Commission filings, and reported in Spire’s quarterly earnings calls (the “May 6 Filing”). Spire further stated that as of May 6, 2026, “the information has been reported in the Company’s Q2 10-Q filing and its Q2 earnings call and is no longer confidential.”

5. In the May 6 Filing Spire filed public versions of its Application and Spire’s Response and stated it “also has no objection to Staff lifting the confidentiality from its recommendation.” Based on the foregoing, Staff files this *Notice of Filing Public Version of Initial Staff Recommendation*, lifting the confidentiality designation from the *Initial Staff Recommendation*.

WHEREFORE, Staff respectfully submits this *Notice of Filing Public Version of Initial Staff Recommendation*, and requests that the Commission accept the same, and for such other and further relief as the Commission considers just and reasonable under the circumstances.

Respectfully submitted,

/s/ Alexandra Klaus

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**Attorneys for Staff of the
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been transmitted by electronic mail to counsel of record this 15th day of May, 2026.

/s/ Alexandra Klaus

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

In the Matter of the Spire Missouri Inc.)
d/b/a Spire’s Application for an Accounting)
Authority Order) **File No. GU-2026-0225**

INITIAL STAFF RECOMMENDATION

COMES NOW, the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its *Initial Staff Recommendation* states as follows:

1. On March 6, 2026, Spire Missouri Inc. d/b/a Spire (“Spire”) filed its *Application for an Accounting Authority Order, Request for Waiver of 60-Day Notice Rule, and Motion for Expedited Treatment* (“Application”). In its Application Spire requests an accounting authority order (“AAO”) “relating to a significant decline in customer usage during the 2025-2026 heating season and its impact on the Company’s ability to collect its authorized revenue requirement.”¹ Spire’s *Motion for Expedited Treatment* states “as the Company is requesting that the deferred balance be considered with the Summer 2026 WNAR filing, the Company initially requests a Commission order approving this Application with an effective date no later than May 30, 2026.”²

2. On March 9, 2026, the Commission issued an *Order Directing Notice, Setting Deadlines for Intervention and Responses, and Directing Staff Recommendation* (“Order”). The Order set a March 23, 2026, deadline for any entity wishing to intervene in this matter to file an application to intervene³ and an April 8, 2026, deadline for Staff to file a recommendation.

¹ Application, Page 1.

² Application, Page 11, Paragraph [21].

³ On March 20, 2026, Consumers Council of Missouri filed its *Application to Intervene and Motion to Require Spire to Follow Rule 20 CSR 4240-2.135*, to which Spire filed on March 23, 2026, its *Response to*

3. On March 12, 2026, Staff issued confidential data requests (“DRs”) to Spire. The response deadline under the Commission’s Rule and as shown on the Commission’s Electronic Filing and Information System (“EFIS”) for these DRs was April 1, 2026. Staff received responses by that date. On March 23, 2026, Staff issued additional confidential DRs to Spire. The response deadline under the Commission’s Rule and as shown on EFIS for these DRs is April 12, 2026, and responses have been received to date. Also on March 23, 2026, the Office of the Public Counsel (“OPC”) issued DRs to Spire. Spire provided responses on April 2, 2026, and April 6, 2026. Staff’s DR 18, issued on March 12, 2026, requested “the questions and responses, and updated responses if any, for all data requests issued by intervenors and the Office of the Public Counsel” and requested that Spire “[p]lease update this response as additional data requests are answered.”

4. “An AAO permits ‘extraordinary items’ to be deferred and accounted for in a future accounting period.”⁴ “[B]ecause establishment of an AAO deviates from the Commission’s general ratemaking methodology, the Commission has substantial discretion in determining whether an AAO is appropriate in a particular case.”⁵ “Under the test applied by the Commission, an AAO may be appropriate when ‘events

Application to Intervene. Consumers Council of Missouri’s *Application to Intervene* was granted on April 2, 2026.

⁴ *Office of Public Counsel v. Evergy Missouri, West, Inc.*, 609 S.W.3d 857, 866 (Mo. App. W.D. 2020) (citing *State ex rel. Aquila, Inc. v. Public Service Commission*, 326 S.W.3d 20, 27 (Mo. App. W.D. 2010)).

⁵ *Id.*

occur during a period which are extraordinary, unusual and unique, and not recurring.”⁶
“This has been described as ‘the Sibley Standard.’”⁷

5. Commission Rule 4240-40.040(1) requires gas companies regulated by the Commission to “keep all accounts in conformity with the Uniform System of Accounts [UsoA] Pre-scribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act, as prescribed by the Federal Energy Regulatory Commission (FERC) and published 18 CFR part 201 (1992) and 2 FERC Stat. & Regs. paragraph 20,001 and following (1992)”.⁸ “The Commission developed the ‘extraordinary, unusual, unique and not recurring’ standard in reference to General Instruction 7 of the UsoA.”⁹ “The UsoA provides that a utility’s income should generally reflect all items of profit and loss during the period” but that certain, extraordinary items “may be eligible for special treatment.”¹⁰

6. With respect to those certain, extraordinary items potentially eligible for special treatment, the instruction provides:

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 considered 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. ... 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.¹¹

⁶ Case No. EU-2020-0350, Report and Order, Page 20, Paragraph K; *In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro & Evergy Missouri W., Inc. d/b/a Evergy Missouri W. for an Acct. Auth. Ord. Allowing the Companies to Rec. & Pres. Costs Related to Covid-19 Expenses*, No. EU-2020-0350, 2021 WL 149449, at *15 (Jan. 13, 2021).

⁷ *Id.*

⁸ MO. CODE REGS. TITLE 20, § 4240-40.040(1).

⁹ Case No. EU-2020-0350, Report and Order, Page 21, Paragraph M; 2021 WL 149449, at *15.

¹⁰ Case No. EU-2020-0350, Report and Order, Page 21, Paragraph N; 2021 WL 149449, at *15.

¹¹ Case No. EU-2020-0350, Report and Order, Page 21, Paragraph N; 2021 WL 149449, at *15; 18 C.F.R. § Pt. 201.

7. “[T]he Commission has at times found it useful to evaluate the scope of items potentially subject to deferral relative to company income. This issue has been described as an evaluation of ‘materiality.’”¹² Additionally, while the Commission “determines each AAO application on its distinct facts”, “[i]n determining whether an AAO is warranted to address ‘extraordinary’ circumstances, the Commission has consistently regarded financial impact as relevant but not dispositive.”¹³

8. As explained in the attached Memorandum, incorporated herein by reference, Staff recommends the Commission deny Spire’s request. Spire’s Application does not identify an extraordinary item or event for which it could or should be eligible for special treatment – rather, the “item” or “event” appears to be one of unknown origin. Spire’s Application does not the meet the Sibley Standard and instead purports to show a financial impact without identifying an extraordinary item or event other than something “relating to a significant decline in customer usage during the 2025-2026 heating season”.¹⁴ As Spire has not identified the cause, no claim can be made as to whether or not the event will recur or how often.

WHEREFORE, Staff respectfully submits this *Initial Staff Recommendation* which contains Staff’s recommendation relating to Spire’s Application, and requests such other and further relief as the Commission considers just and reasonable under the circumstances.

¹² Case No. EU-2020-0350, Report and Order, Page 21, Paragraph O; 2021 WL 149449, at *16 (“‘Materiality’ was considered by the Commission in the order cited as the source of the ‘Sibley Standard’. In that case, the Commission observed that ‘whether the event has a material or substantial effect on a utility’s earnings is also important, but not a primary concern.’”).

¹³ Case No. EU-2020-0350, Report and Order, Page 24-25; 2021 WL 149449, at *18.

¹⁴ Application Page 1; see *also* Application Page 7, Paragraph 15.

Respectfully submitted,

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**Attorneys for Staff of the
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been transmitted by electronic mail to counsel of record this 8th day of April, 2026.

/s/ Alexandra Klaus

STAFF MEMORANDUM

TO: Missouri Public Service Commission Official Case
File No. GU-2026-0225
Spire Missouri, Inc.

FROM: Jared Giacone, Utility Regulatory Audit Supervisor, Auditing Department

/s/ Jared Giacone / 04/8/2026
Auditing Department / Date

SUBJECT: Staff Recommendation to Deny Spire Missouri's Application for an Accounting Authority Order for Certain Accounting Procedures for Deferring Revenues Resulting from a Purported Decline in Customer Usage

DATE: April 8, 2026

Spire Missouri's Request

On March 6, 2026, Spire Missouri, Inc. ("Spire Missouri") filed a confidential application for an Accounting Authority Order ("AAO"), which included a Request for Waiver of 60-Day Notice Rule and a Motion for Expedited Treatment ("Application").

The Application requests different accounting treatment for what Spire Missouri characterizes as a "drastic" change in customer usage for the period of November 1, 2025, through March 31, 2026,¹ or a period beginning only one week after rates went into effect on October 24, 2025, from Spire Missouri's prior general rate case, Case No. GR-2025-0107.² Spire Missouri asserts that the "drastic usage reduction has occurred relative to heating degree days ('HDDs') compared to recent years."³

Background of AAOs

An AAO is an order from the Commission allowing a utility to account for a reporting item in a different manner than normally prescribed for on the utility's financial records. An AAO allows a utility to defer costs associated with an extraordinary event. Under normal accounting practices, a utility would charge to expense as incurred on its income

¹ Application, Paragraph 12.

² Application, Paragraph 13.

³ Application, Paragraph 13.

statement all costs associated with an extraordinary event. If deferral of those costs is authorized through an AAO, the utility treats the costs associated with an extraordinary event as a regulatory asset and records them on its balance sheet to be amortized over some period of time, typically determined through a general rate case proceeding, although direct recovery through the cost of service is not required for a utility to amortize a regulatory asset, and amortization may be authorized during the AAO proceeding by an Order of the Commission. If a utility experiences extraordinary savings those savings can also be deferred, but as a regulatory liability, with the regulatory liability then later returned to its customers through an amortization in rates. Examples of savings that have been deferred to an AAO are savings related to the closing of a generating plant and income tax rate reductions.

An AAO gives the utility an opportunity to obtain rate recovery of the deferred items in the future. AAOs have usually been used to allow utilities to capture certain unanticipated costs that have not been included in ongoing rate levels. The Commission has taken the position that the costs in question must be associated with an event that is extraordinary, unusual or unique in nature and not recurring. The costs associated with the event must be material, which means significant. The classic example of an extraordinary event is the occurrence of a natural disaster, such as a tornado, wind or ice storm or major flood that affects a utility's service territory.

AAOs deviate from the Commission's general ratemaking methodology, but the Commission has "substantial discretion" in determining whether an AAO is appropriate in a particular case.⁴ However, the Commission has typically limited the use of AAOs in the past to extraordinary events. Nonetheless, Staff recommends that the Commission deny Spire Missouri's application for the reasons explained below.

Staff's Recommendation

The Applicant's request for an AAO is not appropriate as customer usage and revenues are routine and ongoing in nature, and neither are associated with the type of rare, catastrophic or unanticipated events for which AAOs have been and should be used. In addition:

⁴ *Office of Pub. Counsel v. Evergy Mo. West, Inc.*, 609 S.W.3d 857, 866 (Mo. App. W.D. 2020).

- This request is not something unaccounted for in the development of Spire Missouri's current rates
- There is no "out-of-pocket" expense
- Varying customer usage should be expected
- This is not widespread across other utilities, as would be expected
- There has not been enough time to determine if Spire Missouri will experience an overall reduction in earnings

As mentioned in paragraph 12 of the Application, the regulatory process to address billing determinants, usage and heating degree days ("HDDs") is through a rate case. Any departure of actual usage experienced from the usage levels used to set rates during the rate case may be considered as risk, or otherwise known as the opportunity for a utility to earn a profit. Profit is not guaranteed for a regulated monopoly utility and an AAO is not the appropriate venue to address the concerns of purported significantly decreased natural gas usage due to purported unfavorable weather and the inability of Spire Missouri to collect sufficient revenue to recover its fixed costs and earn a reasonable rate of return. Instead, a rate case is the proper venue to address Spire Missouri's opportunity to earn a reasonable rate of return and to address concerns with billing determinants used to set rates. An AAO will not solve the "opportunity to earn a reasonable rate of return"⁵ problem that Spire Missouri claims to have. Unless future weather and actual HDDs exactly align with or are more favorable to Spire's earnings than the normalized billing determinants used in Spire Missouri's last rate case then this request for an AAO will not fix the problem that Spire Missouri claims to have. Instead, the fix to Spire Missouri's claimed problem is to file a rate case.

Part 201 of the Uniform System of Accounts⁶ ("USOA") general instructions item number 7 regarding accounting treatment of extraordinary items does not support Spire Missouri's request for a deferral. Paragraph 10 of the Application quotes the USOA as stating that extraordinary items are those that are of "unusual nature and infrequent occurrence," and that extraordinary events 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." Revenues are the foundation of a utility's operations and occur

⁵ Application, Paragraph 13.

⁶ Title 18 Code of Federal Regulations ("CFR"), Chapter I, Subchapter F.

every day and have occurred since regulation of monopoly utilities was established. Revenues are “usual,” “ordinary,” “typical,” “normal” and “recurring” for Missouri utilities. The USOA provides no support for Spire Missouri’s attempt to label the divergence from expected revenues as extraordinary in nature since revenues fail the “abnormal,” “significantly different from the ordinary and typical activity” and “reasonably expected to recur” multi-prong test according to the USOA definition quoted.

Generally, there is no recognition for costs associated with unanticipated and unusual, extraordinary events⁷ in the normal ratemaking process, except when an AAO has previously been authorized. Ratemaking is premised upon allowing recovery from customers of prudently incurred normal and ongoing expenses necessary to provide utility service. For instance, one aspect of the rationale of historic test year utility ratemaking is to promote efficient operations by utilities, encouraging a utility to contain expenses and invest wisely, where necessary, to ensure safe and reliable service. In other words, use of an AAO is generally considered only for situations in which a utility, when acting prudently and depending on the situation, experiences events that are so rare and infrequent that no ongoing rate allowance is normally included in its customer rates for the item. When a utility’s service territory is affected by a catastrophic event, the utility has the obligation to expend funds necessary to continue to serve customers. Staff has long maintained that good regulatory policy requires some possible consideration of rate recognition of the prudently incurred out-of-pocket costs incurred by a utility to continue service in the aftermath of an extraordinary event, depending on the circumstances. There is no extraordinary event involved here, and normalized customer usage and revenues are in fact included in Spire Missouri’s current rates.

There is no “out-of-pocket” expenditure associated with lost revenues due to a decline in usage, just a reduction in the earnings level of the utility. Use of an AAO to guarantee that a utility covers its revenue requirement is not an appropriate use of deferral accounting. In other words, use of an AAO in this manner would guarantee a certain rate of return because of a purported decline in revenues.

The fact that Spire Missouri might incur varying levels of customer usage that impact revenues should not be a surprise and should be expected. Spire Missouri had the

⁷ Such as tornadoes, floods and other major storms.

opportunity to anticipate usage trends and future usage that might not meet the level used in development of their customer rates. The Commission is charged with setting just and reasonable rates and allowing for the opportunity of monopoly investor-owned utilities to earn a reasonable return. The Commission set just and reasonable rates that became effective on October 24, 2025. When the utility determines that revenues are not sufficient to cover their expenses and earn a reasonable return, it has the ability to file a rate case. There is no provision of which Staff is aware that would prohibit Spire Missouri from filing a rate case and any attempt to carve out just one variable of ratemaking from an 11-month rate case process should be denied.

This Commission regulates other natural gas distribution utilities in the State, across different geographic certificated areas. Spire Missouri is the only utility to date to claim “extreme” usage disruption because of weather for the 2025 winter season with the filing of this AAO. The lack of widespread and severe weather impact across multiple gas utilities in the State does not support an AAO. Some of the most recent AAOs granted were for items beyond the utility’s control and they were issued across multiple utilities. The notable examples are: 1) the impact of COVID-19; and 2) the February 2021 cold weather event commonly known as Winter Storm Uri. Those were significant, unexpected items for which the customer rates authorized at the time of the event did not include an allowance for the extreme, unusual and infrequent impact of the event.

Considering all relevant factors, there is no guarantee that Spire Missouri will experience an overall reduction in earnings due to any decline in customer usage compared to the usage used in setting its current customer rates. All or a part of any decrease in usage could be offset by decreases in other Spire Missouri costs compared to the amounts included in its rates, thus mitigating or even eliminating in total any detrimental financial impact. At this time, Staff has no opinion on whether offsetting decreases in expenses has or will occur. New customer rates for Spire Missouri resulting from the most recent general rate case, GR-2025-0107, have only been in effect for approximately six months. The effective date of rates was October 24, 2025. A full year of financial results with new rates in effect and a rate case filed by Spire Missouri would be necessary before any meaningful determination of how much, if any, the percentage of net income Spire Missouri claims would be impacted, actually has on Spire Missouri’s overall net income position.

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April 8, 2026

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Staff recommends, for the reasons described above, that the Commission deny Spire Missouri's Application request for an AAO for what Spire Missouri characterizes as a "drastic" change in customer usage for the period of November 1, 2025, through March 31, 2026.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Spire Missouri Inc. d/b/a)
Spire's Application for an Accounting)
Authority Order) **Case No. GU-2026-0225**

AFFIDAVIT OF JARED GIACONE

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

COMES NOW JARED GIACONE, 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.



JARED GIACONE

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 6th day of April 2026.





Notary Public