

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

In the Matter of the Application of Spire)
Missouri, Inc. to Change its Infrastructure) **File No. GO-2016-0333**
System Replacement Surcharge in its Spire)
Missouri East Gas Service Territory)

In the Matter of the Application of Spire Missouri,)
Inc. to Change its Infrastructure System) **File No. GO-2016-0332**
Replacement Surcharge in its Spire Missouri)
West Gas Service Territory)

In the Matter of the Application of Spire Missouri,)
Inc. to Change its Infrastructure System) **File No. GO-2017-0201**
Replacement Surcharge in its Spire Missouri)
West Service Territory)

In the Matter of the Application of Spire)
Missouri, Inc. to Change its Infrastructure) **File No. GO-2017-0202**
System Replacement Surcharge in its)
Spire Missouri East Service Territory)

STAFF RECOMMENDATION REGARDING ISRS RATE ADJUSTMENTS

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for its *Staff Recommendation Regarding ISRS Rate Adjustments* (Recommendation) files its verified Recommendation pursuant to the Commission’s April 24th *Order Granting, In Part, Staff’s Motion For Extension of Time* (Order) issued in each of the above-captioned 2016 and 2017 cases, and states as follows:

1. The Commission’s Order in the above-captioned 2016 cases, under remand from the Western District Court of Appeals, in part directed that Staff “...shall file a verified recommendation that provides for the appropriate calculation of the rate adjustments necessary and the method for providing those rate adjustments...”. In the above 2017 cases remanded by the Court, the

Commission's Order more specifically directed that Staff "...shall file a verified recommendation that provides the calculation of the amount of the ineligible plastic mains and service lines according to the methodology used in File Nos. GO-2016-0332 and GO-2016-0333, the calculation of the rate adjustments necessary and the method for providing those rate adjustments."

2. Staff has made the ISRS rate adjustment calculations for each above-captioned case, as directed by the Commission and consistent with the mandate from the Court. Staff presents its rate adjustment calculations, the method of developing those calculations, and the method and amounts of the refund adjustments due customers for each of the above remanded cases in Staff's Memorandum, attached hereto and incorporated herein for all purposes.

WHEREFORE, in accordance with the Commission's April 24th Order in each of the above-captioned cases under remand to the Commission by the Western District Court of Appeals, Staff respectfully requests the Commission accept its verified Recommendation as more fully explained in its attached Memorandum, and order the refund adjustments contained therein.

Respectfully submitted,

/s/ Robert S. Berlin

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Attorney for the Staff of the
Missouri Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail, or First Class United States Postal Mail, postage prepaid, on this 15th day of May, 2020, to all counsel of record.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File Nos. GO-2016-0332, GO-2016-0333, GO-2017-0201, GO-2017-0202
Spire Missouri, Inc., dba Spire

FROM: David M. Sommerer, Manager, Procurement Analysis
Karen Lyons, Utility Regulatory Auditor, Auditing Department
Matthew R. Young, Utility Regulatory Auditor, Auditing Department

/s/ Karen Lyons / 05-15-2020 /s/ Robert S. Berlin / 05-15-2020
Financial & Business Analysis Div./ Date Staff Counsel's Office / Date

SUBJECT: Staff's recommendation regarding the appropriate rate adjustments related to the Missouri Western District Court of Appeals Opinion.

DATE: May 15, 2020

Background

On March 18, 2020, the Missouri Western District Court of Appeals (the "Court") issued mandates in three separate consolidated appeals of ISRS cases, including WD82199 for GO-2016-0332 and GO-2016-0333 (the "2016 Cases") and WD82200 for GO-2017-0201 and GO-2017-0202 (the "2017 Cases"). Pursuant to Section 386.520 RSMo., the Commission is required to issue an order on remand within 120 days of the mandate, or by July 16, 2020.

The 2016 Cases were remanded to the PSC for further proceedings consistent with the Court's November 19, 2019 Opinion (the "2016 Opinion"). The 2016 Opinion found that Spire should refund the costs of replacing ISRS-ineligible plastic. The 2017 Cases were remanded to the Commission for further proceedings consistent with the Court's November 19, 2019 Opinion in the 2017 Cases (the "2017 Opinion"). The 2017 Opinion found that Spire Missouri, Inc. ("Spire") should refund the costs of replacing ISRS-ineligible plastic in the same manner as to be done in the 2016 Cases.

On April 15, 2020, the Commission directed Staff to file a verified recommendation that provides the appropriate rate adjustments necessary and the method of providing those rate adjustments. The Commission granted Staff an extension and ordered Staff to file its recommendation in the 2016 and 2017 cases no later than May 15, 2020.

Calculation of the Refund

The ISRS additions included in the 2016 and 2017 cases were placed into service prior to Spire Missouri's rate cases, Case Nos. GR-2017-0215 and GR-2017-0216. As such, ISRS charges related to the 2016 and 2017 Cases were reset to zero when the rate case took effect on April 19, 2018. In order to recommend an amount of refund required, Staff calculated an amount of ISRS revenue requirement related to the replacement of plastic components that was charged to

customers from January 28, 2017 to April 19, 2018 (446 days) for the 2016 Cases and June 1, 2017 to April 19, 2018 (322 days) for the 2017 Cases.

During the past several years, the Commission has approved a methodology known as the “percentage method” to calculate the cost of replacing ISRS-ineligible plastic components. This percentage method compares the footage of plastic facilities retired to total facilities retired in each work order included in the ISRS. To calculate the amount that will be refunded to ratepayers, the percentage method was applied to the ISRS additions including blanket workorders, included in the 2016 and 2017 Cases to arrive at a revised ISRS revenue requirement¹. The difference between the revenue requirements approved by the Commission and the revenue requirements that were revised by the percentage method is the amount of revenue requirement related to plastic components. Additionally, Staff applied interest to the plastic-related refund amount using a weighted interest rate based on the prime interest rate minus 2 percentage points². Staff’s calculations³ yield the following refunds required to Spire Missouri’s ratepayers:

2016-2017 Spire Missouri ISRS Refunds		
	Spire East	Spire West
2016 Cases	\$1,324,527	\$515,819
2017 Cases	<u>\$599,338</u>	<u>\$359,374</u>
Total	\$1,923,865	\$875,193

Method of Refund

To implement the Court’s mandates, Staff recommends that the Commission order Spire Missouri to issue the above refunds to current ratepayers via a one-time bill credit. The advantage of a bill credit is to limit any over or under-refunds in future ISRS (or other) cases before the Commission. However, to the extent there may be an over or under-refund to Spire Missouri’s ratepayers, Staff recommends that the over or under-refund should be reconciled in Spire Missouri’s subsequent ISRS filings.

The one-time bill credit amounts were calculated by using the billing units from Spire Missouri’s most recent rate cases (Case No. GR-2017-0216 for Spire East and Case No. GR-2017-0215 for Spire West). Applying the Spire East and Spire West billing units from the most recent rate cases has the advantage of using a time period that is relatively close to the ISRS cases that

¹ The calculations put forth by Staff during Spire Missouri’s earlier Case Nos. GO-2018-0309 and GO-2018-0310 proceedings also attempted to apply the percentage method to the 2016 and 2017 Cases. However, Staff’s calculations of plastic-related costs in prior cases are different than Staff’s current calculations. The difference is driven by a difference in the data available. Staff contends that the current calculations are based on more reliable data.

² The prime rate minus 2 percentage points is consistent with Section 386.520.

³ See attached Schedule 1 for the underlying calculations.

require a refund. The rate cases also reflect billing units that have the same customer classifications that are currently in effect in Spire Missouri's tariffs.

The one-time bill credit for residential customers for each case for each service area is as follows. See attached Schedule 2 for underlying calculations:

	Spire East	Spire West
Case No. GO-2016-0333	\$1.88	
Case No. GO-2017-0202	\$0.85	
Case No. GO-2016-0332		\$0.91
Case No. GO-2017-0201		\$0.63
Total	\$2.73	\$1.54

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Gas Energy Service Territory)

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Missouri Inc. to Change its Infrastructure) File No. GO-2017-0202
System Replacement Surcharge in its Laclede)
Gas Service Territory)

AFFIDAVIT OF DAVID M. SOMMERER, KAREN LYONS, MATTHEW R. YOUNG

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW David M. Sommerer, Karen Lyons, Matthew R. Young, and on their oath declares that they are of sound mind and lawful age; that they contributed to the foregoing *Staff Recommendation* in memorandum form; and that the same is true and correct according to their best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ David M. Sommerer
David M. Sommerer

/s/ Karen Lyons
Karen Lyons

/s/ Matthew R. Young
Matthew R. Young

2016-2017 Spire ISRS Remand Refund Calculation

Spire ISRS Case Number	GO-2016-0333 East	GO-2017-0202 East	GO-2016-0332 West	GO-2017-0201 West
Commission Ordered Annual Revenue Requirement	\$ 4,504,138	\$ 3,044,481	\$ 3,186,298	\$ 3,000,749
Effective Date of Rates GR-2017-0215	4/19/2018	4/19/2018	4/19/2018	4/19/2018
ISRS Effective Date of Rates	1/28/2017	6/1/2017	1/28/2017	6/1/2017
Daily amount (Commission RR/365)	\$ 12,340	\$ 8,341	\$ 8,730	\$ 8,221
Number of days collected	446	322	446	322
Total amount charged to ratepayers	\$ 5,503,686	\$ 2,685,816	\$ 3,893,394	\$ 2,647,236
Revised Annual Revenue Requirement (Court Order)	\$ 3,443,837	\$ 2,380,762	\$ 2,773,378	\$ 2,602,771
Daily amount (Revised RR/365)	\$ 9,435	\$ 6,523	\$ 7,598	\$ 7,131
Total revised revenues that excludes plastic	\$ 4,208,086	\$ 2,100,289	\$ 3,388,840	\$ 2,296,143
Total amount charged to ratepayers	\$ 5,503,686	\$ 2,685,816	\$ 3,893,394	\$ 2,647,236
Total revised revenues that excludes plastic	\$ (4,208,086)	\$ (2,100,289)	\$ (3,388,840)	\$ (2,296,143)
Refund amount before Interest	\$ 1,295,601	\$ 585,527	\$ 504,554	\$ 351,093
Interest rate (Prime minus 2 percentage points (Note))	2.23%	2.36%	2.23%	2.36%
Interest Amount	\$ 28,926	\$ 13,811	\$ 11,265	\$ 8,281
Total Refund for each ISRS case	\$ 1,324,527	\$ 599,338	\$ 515,819	\$ 359,374
Combined 2016-2017 Refund for Spire East and Spire West		\$ 1,923,865		\$ 875,193

Note: Section 386.520 paragraph 2 (2)

SPIRE MISSOURI INC. - EAST
CASE NO. GO-2016-0333
ISRS RATE DESIGN

ISRS Refund Spire East Case No. GO-2016-0333

\$1,324,527

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	604,973	\$22.00	1.0000	604,973	86.0152%	\$1.88	\$1,139,295
SGS (Small Gen. Service	36,743	\$35.00	1.5909	58,455	8.3111%	\$3.00	\$110,083
LGS-Large Gen. Service	3,882	\$125.00	5.6818	22,057	3.1360%	\$10.70	\$41,538
LV-Large Volume Service	67	\$914.25	41.5568	2,784	0.3959%	\$78.26	\$5,243
SL-Unmetered Gas Light	84	\$6.00	0.2727	23	0.0033%	\$0.51	\$43
IN-Interruptable	20	\$837.40	38.0636	761	0.1082%	\$71.68	\$1,434
General LP	36	\$17.94	0.8155	29	0.0042%	\$1.54	\$55
Vehicular Fuel	8	\$23.38	1.0627	9	0.0012%	\$2.00	\$16
LVTSS-Large Volume Transport & Sales Service	147	\$2,131.41	96.8823	14,242	2.0249%	\$15.20	\$26,820
TOTAL	645,960			703,333	100.00%		\$1,324,527

SPIRE MISSOURI INC. - EAST
CASE NO. GO-2017-0202
ISRS RATE DESIGN

ISRS Refund Spire East Case No. GO-2017-0202

\$599,338

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	604,973	\$22.00	1.0000	604,973	86.0152%	\$0.85	\$515,522
SGS (Small Gen. Service	36,743	\$35.00	1.5909	58,455	8.3111%	\$1.36	\$49,812
LGS-Large Gen. Service	3,882	\$125.00	5.6818	22,057	3.1360%	\$4.84	\$18,796
LV-Large Volume Service	67	\$914.25	41.5568	2,784	0.3959%	\$35.41	\$2,373
SL-Unmetered Gas Light	84	\$6.00	0.2727	23	0.0033%	\$0.23	\$20
IN-Interruptable	20	\$837.40	38.0636	761	0.1082%	\$32.44	\$649
General LP	36	\$17.94	0.8155	29	0.0042%	\$0.69	\$25
Vehicular Fuel	8	\$23.38	1.0627	9	0.0012%	\$0.91	\$7
LVTSS-Large Volume Transport & Sales Service	147	\$2,131.41	96.8823	14,242	2.0249%	\$6.88	\$12,136
TOTAL	645,960			703,333	100.00%		\$599,338

SPIRE MISSOURI INC. - WEST
CASE NO. GO-2016-0332 Rate Design

Refund Spire West Case No. GO-2016-0332

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	469,947	\$20.00	1.0000	469,947	82.9794%	\$0.91	\$428,024
SGS-Small Gen. Service	31,727	\$30.00	1.5000	47,591	8.4031%	\$1.37	\$43,345
LGS-Large Gen. Service	3,628	\$130.17	6.5085	23,613	4.1694%	\$5.93	\$21,506
LV-Large Volume Service	460	\$1,095.27	54.7635	25,191	4.4481%	\$49.88	\$22,944
TOTAL	505,762			566,342	100.00%		\$515,819

\$515,819

SPIRE MISSOURI INC. - WEST
CASE NO. GO-2017-0201 Rate Design

Refund Spire West Case No. GO-2017-0201

<u>Customer Rate Class</u>	<u>Cust #</u>	<u>Customer Charge</u>	<u>Ratio To Residential</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>Cal ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	469,947	\$20.00	1.0000	469,947	82.9794%	\$0.63	\$298,207
SGS-Small Gen. Service	31,727	\$30.00	1.5000	47,591	8.4031%	\$0.95	\$30,199
LGS-Large Gen. Service	3,628	\$130.17	6.5085	23,613	4.1694%	\$4.13	\$14,984
LV-Large Volume Service	460	\$1,095.27	54.7635	25,191	4.4481%	\$34.75	\$15,985
TOTAL	505,762			566,342	100.00%		\$359,374

\$359,374