

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

In the Matter of the Application of Spire	)	
Missouri Inc. to Change Its Infrastructure	)	<b><u>Case No. GO-2019-0356</u></b>
System Replacement Surcharge in its Spire	)	Tariff No. YG-2020-0009
Missouri East Service Territory	)	

In the Matter of the Application of Spire	)	
Missouri Inc. to Change Its Infrastructure	)	<b><u>Case No. GO-2019-0357</u></b>
System Replacement Surcharge in its Spire	)	Tariff No. YG-2020-0010
Missouri West Service Territory	)	

**STAFF'S POSITION STATEMENTS**

**COMES NOW** the Staff of the Missouri Public Service Commission and pursuant to the Commission's September 18, 2019 order, files *Staff's Position Statements*.

- 1. Are all costs in the Company's ISRS filings in these cases eligible for inclusion in the ISRS charges to be approved by the Commission in this proceeding?**

**Staff Position:** No. Staff recommends that the Commission approve "new" ISRS-eligible costs Spire Missouri incurred between February 1, 2019 and July 31, 2019. Spire Missouri calculated these costs in accordance with methodology the Commission approved in GO-2018-0309/0310 and GO-2019-0115/0116. As explained below in Issue 2, Staff does not support Commission approval of "old" costs incurred between October 1, 2017 and June 30, 2018 that have been litigated twice already and are on appeal.

Staff supports ISRS surcharge revenues for Spire East in the amount of an incremental pre-tax revenue amount of \$4,439,498, with a total current and cumulative ISRS surcharge of \$12,990,598. It recommends the Commission authorize Spire Missouri to file an ISRS rate for each customer class, as reflected in the Staff Direct Report, Schedule 1, which generates \$12,990,598 annually. It requests that the Commission authorize an effective date no later than November 12, 2019.

For Spire West, Staff supports ISRS surcharge revenues in the amount of an incremental pre-tax revenue amount of \$3,721,343, with a total current and cumulative ISRS surcharge of \$15,634,591. It recommends the Commission authorize Spire Missouri to file an ISRS rate for each customer class, as reflected in the Staff Direct Report, Schedule 1, which generates \$15,634,591 annually. Similar to Spire East, it requests that the Commission authorize an effective date no later than November 12, 2019.

- 2. If a party believes that certain costs are not eligible for inclusion in the ISRS charges to be approved by the Commission in this proceeding, what are those costs and why are they not eligible for inclusion?**

**Staff Position:** Staff does not support Spire Missouri's requests to recover previously denied Spire East and Spire West ISRS costs incurred between October 1, 2017 and June 30, 2018. The Commission denied these costs in Case Nos. GO-2018-0309 and GO-2019-0115 (Spire East) and Case Nos. GO-2019-0310 and GO-2019-0116 (Spire West). Spire and OPC appealed all these cases to the Missouri Court of Appeals, Western District. Because the appellate court has not issued an opinion on these appeals, Staff does not address in its report Spire Missouri's renewed request for recovery of costs incurred between October 1, 2017 and June 30, 2018. The Commission lacks jurisdiction on this request, and its only recourse, as it did in GO-2019-0115 and GO-2019-0116, is dismissal.

Regarding the overhead capitalization issue OPC raises,<sup>1</sup> Staff's position is that such matters are more appropriately examined in the context of a general rate proceeding and not in the shortened time frame of an ISRS proceeding.

**3. How should income taxes be calculated for purposes of developing the ISRS revenue requirement in these cases?**

**Staff Position:** Income taxes should be calculated in accordance with Staff's calculation performed in accordance with §§ 393,1009(1)(a) and (b), RSMo as explained on pages nine through ten of Staff's Direct Report for both Spire East and Spire West.

There are tax deductions associated with ISRS plan additions that should be taken into account in determining the amount of state and federal income taxes applicable to ISRS net operating income. All of these tax deductions are directly associated with and incremental to ISRS plant additions in this proceeding.

The tax deductions that Spire can claim for construction of ISRS property are interest expense and Internal Revenue Code § 263A transfers. For Spire East, these deductions result in income tax savings of \$1,117,570, which offsets the \$1,117,378 of ISRS income taxes prior to the calculation of any income tax deductions. For Spire West, these deductions result in income tax savings of \$949,127, which offsets the \$948,785 of ISRS income taxes prior to the consideration of any income tax deductions.

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<sup>1</sup> Office of Public Counsel, Direct Testimony of Robert E. Schallenberg, September 27, 2019, 3-12.

Respectfully submitted,

**/s/ Robert S. Berlin**

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**/s/ Karen E. Bretz**

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been electronically mailed to all parties and/or counsel of record on this 1<sup>st</sup> day of October, 2019.

**/s/ Karen E. Bretz**