

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

In the Matter of the Application of Laclede Gas            )  
Company to Change its Infrastructure System            )     **File No. GO-2016-0333**  
Replacement Surcharge in its Laclede Gas Service    )  
Territory    )

In the Matter of the Application of Laclede            )  
Gas Company to Change its Infrastructure            )     **File No. GO-2016-0332**  
System Replacement Surcharge in its            )  
Missouri Gas Energy Service Territory            )

In the Matter of the Application of Laclede Gas            )  
Company to Change its Infrastructure System            )     **File No. GO-2017-0201**  
Replacement Surcharge in its Missouri Gas Energy    )  
Service Territory    )

In the Matter of the Application of Laclede            )  
Gas Company to Change its Infrastructure            )     **File No. GO-2017-0202**  
System Replacement Surcharge in its Laclede        )  
Gas Service Territory    )

In the Matter of the Application of Spire Missouri        )  
Inc. to Establish an Infrastructure System            )     **File No. GO-2018-0309**  
Replacement Surcharge in its Spire Missouri        )  
East Service Territory    )

In the Matter of the Application of Spire Missouri        )  
Inc. to Establish an Infrastructure System            )     **File No. GO-2018-0310**  
Replacement Surcharge in its Spire Missouri        )  
West Service Territory    )

**STATEMENT OF POSITION OF SPIRE MISSOURI INC.**

**COMES NOW** Spire Missouri Inc. (f/k/a Laclede Gas Company and referred to herein as “Spire Missouri” or “Company”), on behalf of itself and its two operating units, Spire Missouri East and Spire Missouri West (f/k/a Missouri Gas Energy), and, pursuant to the Commission’s procedural orders in these proceedings, submits the following statement of position on the various issues identified in the Parties List of Issues which was filed on August 23, 2018.

## I. Remanded Matters

### a. Potential Costs

- i. What costs, if any, were recovered through Spire Missouri East's and West's 2016 and 2017 ISRS for the replacement of ineligible plastic components not in a worn out or in a deteriorated condition?

Neither Spire Missouri East nor Spire Missouri West collected any costs in their 2016 and 2017 ISRS filings for the replacement of ineligible plastic components not in a worn out or deteriorated condition. As the Company's evidence in those cases showed, the Company's practices of retiring plastic facilities where it is not operationally and economically feasible to reuse them has served to reduce, rather than increase, the overall level of ISRS charges sought by the Company and approved by the Commission in these filings. In other words, the costs of retiring or replacing the plastic facilities at issue are negative, not positive. That conclusion has been confirmed by testimony filed in the Company's 2016 ISRS cases, testimony filed in its 2017 rate cases and testimony filed on August 22, 2018. It is based on an extensive engineering analysis of ten projects, nine of which were previously selected by OPC to illustrate the Company's practice of retiring certain plastic facilities as part of its cast iron and unprotected steel programs when it is not feasible to reuse such facilities. The overwhelming weight of the evidence in these cases firmly rejects any notion that the cost to replace plastic facilities can be determined by an allocation based on the amount of plastic replaced. In summary, plastic components in the Company's cast iron and bare steel areas are being retired only because the Company determined that doing so was the most cost-efficient way to replace cast iron and bare steel.

### b. Potential Refunds

- i. What costs, if any, should Spire be required to refund pursuant to the Missouri Western District Court of Appeals Opinion remanding Spire Missouri East's and West's 2016 and 2017 ISRS?

Because the competent and substantial evidence in this proceeding shows that there are no incremental costs associated with the retirement of the plastic facilities at issue, implementation of the Western District Court of Appeals Opinion requires that no refund or adjustment be made to the ISRS charges previously approved by the Commission. The Court of Appeals Opinion did not decide what costs, if any, resulted from the practice of retiring plastic facilities in those instances where it was less costly than reusing them, because the Commission's Report and Order did not cite it as justification for its decision to permit the recovery of the Company's ISRS costs. Accordingly, the Commission is completely free to determine this issue in the manner it deems appropriate, subject only to the requirements for a valid Commission order.

To that end, the Court of Appeals did reaffirm the basic principle that the Commission's Orders must be based on competent and substantial evidence and not be arbitrary or capricious. Application of those principles to the facts of this case requires a finding by the Commission that no downward adjustment to the Company's ISRS is appropriate.

**c. Methodology**

- i. What is the appropriate methodology for making this determination [of whether there are any costs in the Company's ISRS filing for the retirement of plastic facilities that are not in a worn out or deteriorated condition]?

The appropriate methodology for making this determination is to assess, as the Company has, the actual cost impacts of retiring plastic facilities. The Company has done so through an engineering analysis of the projects originally selected by OPC to illustrate its issues regarding the retirement of plastic facilities as part of the Company's cast iron and unprotected steel programs. As the Company has demonstrated in its testimony, this analysis is representative of the cost impacts for all of its ISRS projects, although it may slightly overstate the amount of plastic facilities typically retired in connection with such projects. As the Company has further demonstrated the Company's retirement of plastic facilities has resulted in negative costs and served to reduce, rather than increase, the Company's ISRS costs and charges.

- ii. Factually, what is the amount of plastic components not in a worn out or in a deteriorated condition replaced for each ISRS period?

The Company has provided abundant information on materials replaced in its cast iron and bare steel main replacement programs. However, no party has accurately quantified the amount of plastic that was replaced that was not in a worn out or deteriorated condition and because the Company has demonstrated that the retirement of such plastic facilities did not result in an incremental cost, such a quantification is not needed in any event. That said, Company witness Glenn Buck has identified numerous errors in the quantifications provided by Staff and OPC. For example, all of the plastic components that were retired under blanket work orders clearly were worn out or deteriorated and none of those costs should have been excluded, even on the theories advanced by Staff and OPC. Secondly, because Spire Missouri provided the parties with information on the vintage of plastic that was retired, it can be determined which plastic components were at or near the end of the service lives for plastic services (44 year for East, 40 years for West), and could thus be considered to be worn out or in a deteriorated condition. Neither Staff nor OPC have made adjustments for either of these exceptions. Other errors in the approach taken by Staff and OPC are set forth in

Mr. Buck's direct testimony.

**d. Rate Design**

- i. To the extent such ineligible costs exist, how should they be returned to ratepayers?

This is a moot point because there are no ineligible costs included in the Company's ISRS charges. Thanks to the work and planning of the Company's engineers and technical staff, customers have received the benefit of increased cast iron and bare steel replacement at an advantageous cost.

**II. 2018 Matters**

**a. Compliance**

- i. Is Spire's ISRS filing compliant with the ISRS statutes Sections 393.1009 through 393.1015?

Yes. Spire Missouri's ISRS filing is fully compliant with every provision of the ISRS statutes, Sections 393.1009 through 393.1015

**b. Potential Costs**

- i. What costs should Spire Missouri be permitted to collect through its 2018 ISRS filing?

Spire Missouri should be permitted to collect all of the ISRS charges it filed for in its 2018 filings, subject only to true-up of its May and June ISRS plant estimates.

**c. Rate Design**

- i. How should Spire Missouri's 2018 ISRS rates be calculated?

Spire Missouri's 2018 ISRS rates should be calculated in compliance with the calculation methods set forth in the ISRS statute.

Respectfully submitted,

SPIRE MISSOURI INC.

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**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing pleading was served on Staff and the Office of the Public Counsel, on this 24th day of August 2018 by hand-delivery, fax, electronic mail or by regular mail, postage prepaid.

**/s/ Rick Zucker** \_\_\_\_\_