



incentives seek to reward the company's employees for making their best efforts to improve the company's bottom line. Improvements to the company's bottom line chiefly benefit the company's shareholders, not its ratepayers. Indeed some actions that might benefit a company's bottom line, such as a large rate increase, or the elimination of customer service personnel, might have an adverse effect on ratepayers.

4. Moreover, Spire knew of this policy or should have known because Missouri Gas Energy is now part of Spire as Spire Missouri West. There would be no need for the Commission to put the Company on notice and its decision was no surprise to Spire West since the Commission took the quote footnoted in its Amended Order from a Missouri Gas Energy general rate case<sup>1</sup> in which it denied recovery of compensation tied to earnings per share.

5. Second, the Commission is unequivocal that it will not include incentive compensation in the rates it sets in this current case. There can be no question that in stating the period in which incentive compensation will not be recovered in rates -- test year through true-up period, -- the Commission is stating exactly and precisely that it intends. Amended Order at 137. The Amended Order is clear that the Commission will not make an adjustment to remove past incentive compensation from past settled rate cases:

The Commission has decided above that earnings based and equity based incentive compensation should not be recovered in rates. Thus, that incentive compensation expense will not be included in rates and no part of the earnings based or equity based incentive compensation for the current case (test year through true-up period) should be capitalized in rate base going forward. However, Staff has also proposed to remove from rate base the value of incentive compensation that it contends was inappropriately capitalized by Spire Missouri following past settled rate cases where the subject of incentive compensation was not litigated. The Commission finds that it is not appropriate to make this adjustment. Because the stipulation and agreements settled all issues but did not

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<sup>1</sup> *In the Matter of Missouri Gas Energy's Tariffs to Implement a General Rate Increase for Natural Gas Service*, Case No. GR-2004-0209, Report and Order (issued September 21, 2004), p. 43. See also similar conclusions in *In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric Service to implement Its Regulatory Plan*, Case No. ER-2007-0291, Report and Order (issued December 6, 2007), p. 49 (the Commission denied Kansas City Power & Light's request to recover compensation tied to earnings per share).

specifically address the capitalization of incentive compensation, the Commission will not now reach back to those settled cases and remove capitalized earnings based and equity based incentive compensation from rate base. The Commission determines that no adjustment shall be made to remove the value of any capitalized past incentive compensation that may have been involved.

Lastly, the Commission found that Spire “has not met its burden of proving that its proposed increase in rates for earnings based and equity based incentive compensation plans is just and reasonable. Spire Missouri shall not recover earnings based or equity based employee incentive compensation amounts in rates.” Amended Report at 132. Having failed to meet its burden of proof on this issue, Spire may not lawfully collect “earnings based or equity based employee compensation” in its rates going forward. Section 393.130 RSMo (2016).

Every gas corporation, every electrical corporation, every water corporation, and every sewer corporation shall furnish and provide such service instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable. All charges made or demanded by any such gas corporation, electrical corporation, water corporation or sewer corporation for gas, electricity, water, sewer or any service rendered or to be rendered shall be just and reasonable and not more than allowed by law or by order or decision of the commission. Every unjust or unreasonable charge made or demanded for gas, electricity, water, sewer or any such service, or in connection therewith, or in excess of that allowed by law or by order or decision of the commission is prohibited.

**WHEREFORE** the Public Counsel recommends the Commission find Spire’s Motion for Clarification is without merit and deny it.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all parties of record electronically on this 14<sup>th</sup> day of March 2018.

*/s/ Lera Shemwell*

Lera L. Shemwell