Spire upgrades more than 2,500 miles of Missouri natural gas pipelines and keeps customer bills lower than 15 years ago

Recent court rulings put timing of future pipeline replacement in question

ST. LOUIS, Nov. 25, 2019 /PRNewswire/ -- Today, Spire released new data regarding progress on pipeline upgrades across Missouri. Over the last 15 years, Spire has spent more than $1 billion to replace more than 2,500 miles of aging pipeline across the state. And while that sounds like a big price tag, Spire has been able to do this while keeping customer bills lower than they were 15 years ago.

"Thanks to an abundant, domestic supply of natural gas, the price for natural gas has never been more affordable. While the price for the commodity is low, we've been doubling down on replacing infrastructure to make sure that our customers have a modern system to deliver natural gas to their homes and businesses safely, efficiently and with reduced emissions. And we've done it in a way that balances the total cost for customers. Today, Missouri customer bills are nearly 20 percent less than they were 15 years ago—that's an average annual savings of $175 for each Missouri household. We're proud of being able to do this for our customers and communities," said Scott Carter, president of Spire Missouri.

Pipeline replacement accelerated thanks to Missouri ISRS legislation

Pipeline replacement has been accelerated in the last 15 years thanks to Missouri Infrastructure System Replacement Surcharge (ISRS) legislation enacted in 2003 that allows for incremental replacement costs to be recovered by utilities more quickly. The legislation serves to 1) address an emerging safety issue related to aging cast iron and bare steel pipes, 2) enhance Missouri Public Service Commission (MoPSC) oversight and transparency into replacement efforts, 3) reduce the regulatory cost of more frequent rate cases and 4) ensure that utility companies are able to attract the investor capital efficiently to fund these multi-million dollar efforts.

Carter explained, "The Missouri PSC has a longstanding program—which we wholeheartedly support—that accelerates replacement of cast iron and bare steel pipes. The ISRS statute was intended to promote safety-related investments and it's been working effectively for more than a decade here in Missouri. And, while we've been able to upgrade aging pipes—some of which had been in ground since the 1800s—we're also making a significant positive environmental impact by reducing emissions from leaks in the system. It's a win-win-win, for our customers, communities and the environment."

Missouri Court issued rulings that challenge MoPSC authority on ISRS

On Nov. 19, 2019, the Missouri Western District Court of Appeals issued rulings that determined that certain Spire expenditures approved by the MoPSC in 2016, 2017 and 2018 were not eligible for ISRS recovery, and called for refund of amounts totaling up to $12 million, or about $10 for the average Missouri homeowner.

"The Court's decision regarding the 2018 ISRS funding is especially troubling. The Court ruled on something that wasn't in question by the Missouri PSC, the U.S. Department of Transportation, the National Association of

Regulatory Utility Commissioners or any US state that has, or has had, cast iron and bare steel pipelines. The Missouri Western District Court appears to have second-guessed the expertise of the Missouri PSC," said Carter.

Carter continued, "The court does not say that we shouldn't be making these upgrades. They are saying that to fund it through the ISRS mechanism—instead of through recovery of investment in a rate case which can take years—we must prove something more to verify that the pipes are 'worn out or deteriorated.' But, experts know that cast iron was put in the ground from the 1800s to the 1950s and that bare steel was used in the 1940s and 1950s before innovation and technology allowed for safer, smarter and more efficient options."

Craig Hoeferlin, Spire's vice president of operations services, including engineering and safety, explained, "Modernizing infrastructure dovetails with the deterioration of existing pipes, but it's much more than that. We have a detailed and voluminous Distribution Integrity Management Plan [DIMP]—that is the cornerstone of industry practice and widely accepted by Missouri and fellow regulatory jurisdictions—to properly and safely guide pipeline replacement. It takes into account a pipeline's history, geography, and overall risk profile. In addition, we examine the ability for pipes to work safely with today's higher pressure delivery systems." Craig continued, "This ruling—if upheld—could take the ISRS statute from a mechanism intended to expedite cost-effective, safety-related investments into one that significantly hinders such investments. That's not good for our customers or communities."

Procedural next steps in response to the Missouri Court's ruling

Spire will file appeals, so the Court's orders will not become effective until the appeal process is exhausted. Should the Court's decision ultimately stand, the Court will remand these matters to the MoPSC who will define its process to respond to the decision and determine the appropriate refund, if any, at a later date.

Carter added, "Our customers and communities deserve the very best from us. We are responsible for providing energy safely so that families can cook Thanksgiving dinner and stay warm when it's cold outside, without worrying about the safety, efficiency and sustainability of the complex and intricate infrastructure that delivers natural gas to them. We made a promise to our customers that we'd take good care of them, and we intend to keep that promise. On behalf of our employees, customers and communities, we strongly disagree with the court rulings and plan to vigorously defend the timely and efficient modernization of infrastructure."

About Spire

At Spire Inc. (NYSE: SR) we believe energy exists to help make people's lives better. It's a simple idea, but one that's at the heart of our company. Every day we serve 1.7 million homes and businesses making us the fifth largest publicly traded natural gas company in the country. We help families and business owners fuel their daily lives through our gas utilities serving Alabama, Mississippi and Missouri. Our natural gas-related businesses include Spire Marketing, Spire STL Pipeline and Spire Storage. We are committed to transforming our business through growing organically, investing in infrastructure, and advancing through innovation. Learn more at SpireEnergy.com.

Investor Contact:
Scott W. Dudley Jr.
314-342-0878
Scott.Dudley@SpireEnergy.com

Media Contact:
Jessica B. Willingham
314-342-3300
Jessica.Willingham@SpireEnergy.com

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