

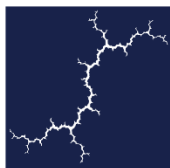


# Gas and Water Infrastructure Costs in Missouri

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Add Up Outside of Rate Cases

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## Background: ISRS and WSIRA

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Legislation allows Missouri gas corporations to adjust rates twice a year – outside of a general rate proceeding – to recover costs for certain infrastructure replacements. The resulting rate, **Infrastructure System Replacement Surcharge (ISRS)** is designed to recover the costs associated with infrastructure investments that include:

- Mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to comply with safety requirements as replacements for existing facilities that have worn out or deteriorated;
- Projects extending the useful life or enhancing the integrity of pipeline system components undertaken to comply with state or federal safety requirements; and
- Facilities relocations due to eminent domain.<sup>1</sup>

Legislation also allows Missouri water or sewer corporations to adjust rates twice a year – outside of a general rate proceeding – to recover costs for certain infrastructure replacements. The resulting rate, **Water and Sewer Infrastructure Rate Adjustment (WSIRA)**, funds these investments, which include:

- Replacement or cleaning and relining of existing water and sewer pipes, and associated valves, hydrants, meters, service lines, laterals, sewer taps, curbstops, and manholes;
- Replacement of lead mains, goosenecks and service lines, and associated valves and meters;
- Replacement of certain equipment with equipment of similar capacity and operation;
- Facilities relocations due to eminent domain; and
- Replacement equipment for operation and monitoring of remote installations.<sup>2</sup>

## ISRS Impacts on Residential Customers

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Through ISRS proceedings, Spire Missouri has added hundreds of millions of dollars of investments to its rate base, which is the capital investment upon which the Company is allowed to earn a return, or profit. Then, in each rate case, Spire rolls the rate base that was approved in the ISRS proceedings into its overall rate request. Spire has argued that its rate case costs are lower than they appear because ISRS investment is already approved, but ISRS approval does not follow the same rigorous process as rate case approval.<sup>3</sup> These ISRS proceedings often include far less intervention and engagement from

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<sup>1</sup> Missouri statute, 393.1009-1015. <https://revisor.mo.gov/main/OneChapterRng.aspx?tb1=393.1009%20to%20393.1015>.

<sup>2</sup> Missouri statute, 393.1500-1509. <https://revisor.mo.gov/main/OneChapterRng.aspx?tb1=393.1500%20to%20393.1509>.

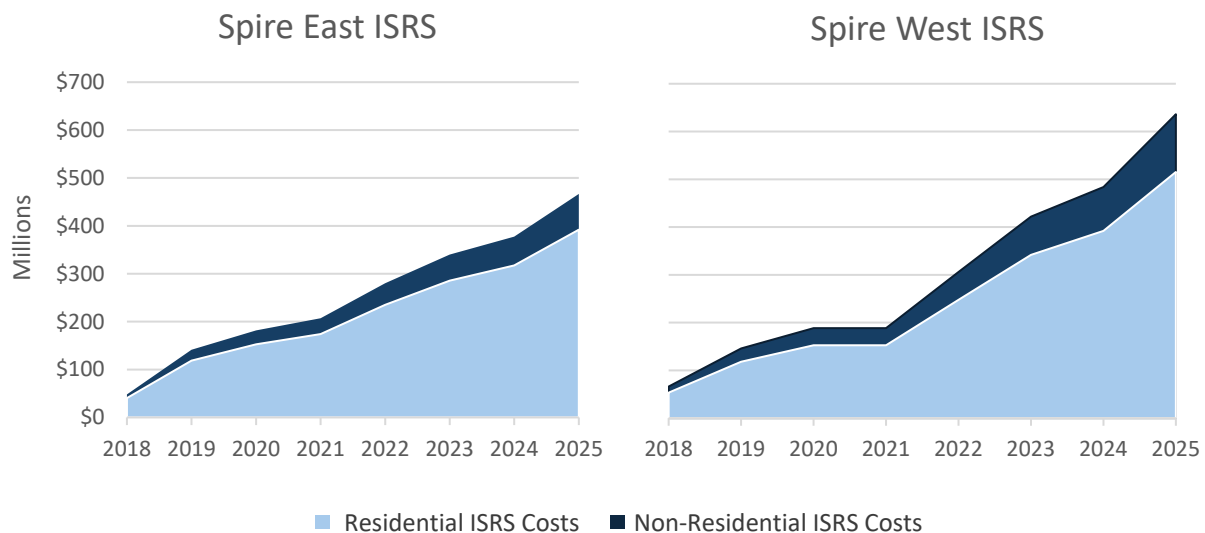
<sup>3</sup> “Spire Missouri is requesting a gross revenue increase of approximately \$289.5 million. However, this amount is offset by the \$53.6 million in Infrastructure System Replacement Surcharge (“ISRS”) revenues the Company is already collecting, making Spire Missouri’s net incremental revenue increase \$235.9 million.” Direct Testimony of David A. Yonce. GR-2025-0107. p.3. <https://www.efis.psc.mo.gov/Document/Display/807768>.

stakeholders compared to a rate case.<sup>4</sup> ISRS law prevents a full examination of the prudence and reasonableness of the charges until a subsequent rate case. The Public Service Commission can check the mathematic calculations of the ISRS surcharge proposal but cannot consider any other issue.<sup>5</sup>

**In its last rate case, Spire’s pre-approved ISRS investments constituted 18.5% of its total requested revenue increase.<sup>6</sup>**

Since 2018, Spire has increased its rate base through ISRS proceedings by \$467 million in Spire East and \$636 million in Spire West.<sup>7</sup> Of these rate base increases, the ISRS proceedings have initially allocated over 80% to the residential class,<sup>8</sup> resulting in approximately \$392 million assigned to residential customers in Spire East and approximately \$515 million assigned to residential customers in Spire West.

**Figure 1: Cumulative ISRS Costs for Spire East and Spire West**



<sup>4</sup> For example, no party except Commission Staff filed submissions in the most recent several ISRS cases, while five parties in addition to Staff intervened in the most recent rate case. <https://efis.psc.mo.gov/Case/Display/92667>. <https://www.efis.psc.mo.gov/Case/Display/90443>.

<sup>5</sup> "No other revenue requirement or ratemaking issues may be examined..." Missouri statute, 393.1015.2(2).

<sup>6</sup> Direct Testimony of David A. Yonce. GR-2025-0107. p.3. <https://www.efis.psc.mo.gov/Document/Display/807768>.

<sup>7</sup> According to publicly filed revenue requirement calculations, such as Appendix C-1 and C-2 at <https://efis.psc.mo.gov/Document/Display/828906>.

<sup>8</sup> The allocation is based on the proportion of customer type on Spire’s system. In recent years, Spire has allocated around 81% (West) and 84% (East) to the residential class. See, for example, Appendix B-1 and B-2 at <https://efis.psc.mo.gov/Document/Display/828906>.

Spire collects these costs as a fixed monthly charge on a customer's bill, which the customer must pay regardless of how much they utilize the system. The most recent residential ISRS charges before Spire's 2025 rate case were \$2.76 in Spire East and \$6.42 in Spire West.<sup>9</sup>

## Consumers Council's Advocacy on Infrastructure Charges

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Consumers Council of Missouri ("CCM") intervened in Spire's 2025 rate case, sponsoring expert testimony that challenged Spire's rate increase request and recommended that the Commission order Spire to gather data and report information for assessing the program's performance.<sup>10</sup> CCM's witness expressed concern that Spire does not appear to evaluate the success of the program to mitigate leaks and improve safety, nor does it appear to assess the cost-effectiveness of the Company's performance. CCM provided a comprehensive list of recommended economic and safety performance metrics to help determine whether Spire is achieving the public policy goals articulated in Missouri statute. CCM is concerned that the pipe replacement projects are broader than required, failing to target the riskiest pipes and instead engaging in wholesale bulk replacement of pipes.

In September 2025, the Commission approved a settlement that CCM had negotiated with other parties that included ISRS reporting requirements for which CCM had advocated. Hopefully such reporting will enable greater scrutiny of the reasonableness of Spire's ISRS investments.

## WSIRA Impacts on Customers

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Like Spire, Missouri American Water has added hundreds of millions of dollars of investments to its rate base through WSIRA proceedings. These WSIRA proceedings also include far less intervention and engagement from stakeholders as compared to the audit that occurs in a rate case.<sup>11</sup> Since 2018, Missouri American Water has increased its rate base through WSIRA proceedings by approximately \$1.1 billion in St. Louis County. Missouri American Water began filing WSIRA dockets in 2021 for customers outside of St. Louis County and has increased that jurisdiction's rate base through WSIRA proceedings by \$135 million since then.<sup>12</sup> Because residential customers are included in the same rate class as commercial, industrial, and other public authority customers, it is difficult to assess the impacts of WSIRA costs on residential customers alone.

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<sup>9</sup> After Spire integrates its ISRS revenue requirement into its rate case revenue requirement, rate treatment will differ, likely resulting in greater cost collection via volumetric, or consumption-based charges.

<https://efis.psc.mo.gov/Document/Display/830613>.

<sup>10</sup> Rebuttal Testimony of Bradley T. Cebulko. GR-2025-0107. <https://www.efis.psc.mo.gov/Document/Display/834052>.

<sup>11</sup> For example, in the most recent several WSIRA cases there has been limited participation by parties except Commission Staff, while at least eight parties in addition to Staff intervened in the most recent rate case.

<https://efis.psc.mo.gov/Case/Display/88429>. <https://efis.psc.mo.gov/Case/Display/87214>.

<sup>12</sup> Missouri American Water does not report the approved rate base in every WSIRA proceeding. In those cases, we estimated the approved rate base by applying the ratio of approved-to-proposed revenue requirement to the proposed rate base.

**Figure 2: Cumulative WSIRA Costs Added by Missouri American Water in St. Louis County and Outside St. Louis County**

