

# Business

[http://www.stltoday.com/business/local/missouri-s-public-counsel-accuses-laclede-of-excess-profits/article\\_b9adffbf-a9fe-5f78-a3b5-debb93163f42.html](http://www.stltoday.com/business/local/missouri-s-public-counsel-accuses-laclede-of-excess-profits/article_b9adffbf-a9fe-5f78-a3b5-debb93163f42.html)

## Missouri's Public Counsel accuses Laclede of excess profits

By Jacob Barker St. Louis Post-Dispatch Apr 28, 2016

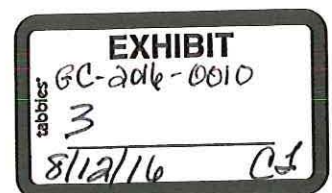
FILED

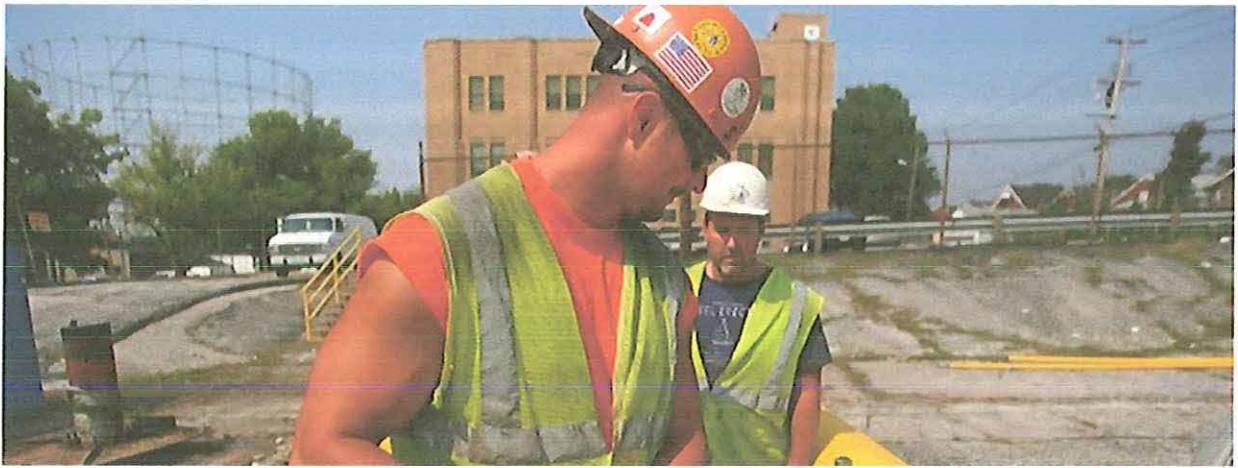
'AUG 22 2016

Missouri Public  
Service Commission



Exhibit No. 3  
Date 8-12-16 Reporter CLT  
File No. GC-2016-0010





Missouri's utility customer advocate is accusing Laclede Gas of earning excess profits, a move that could prompt a financial probe of the utility even if it succeeds in getting passed legislation giving it two more years before having to reopen its books to state regulators.

The Missouri Office of Public Counsel filed the earnings complaint on Tuesday against the Laclede Gas and Missouri Gas Energy, two utilities owned by Spire, the company formerly known as the Laclede Group.

The Public Counsel, which represents ratepayers in front of the Missouri Public Service Commission, says Laclede's rates are no longer "just and reasonable and therefore require adjustment."

It has been years since the Office of Public Counsel has filed an overearnings complaint, an arduous process that can take over a year to argue in front of the PSC. Acting Public Counsel James Owen said he recognized that his office's staff was limited and that an overearnings complaint was a "resource-intensive process."

But, he said: "We would not have done it if we did not believe the laws and the facts are on our side."

Public Counsel's complaint comes as the St. Louis-based natural gas utility company pushes for state legislation that would give it another two years before it has to come back before the PSC for a full rate case.

Laclede's last general rate case was settled almost three years ago. In a full rate case, the PSC performs a comprehensive audit of a utility's books to set rates allowing the utility to recover expenses and a reasonable profit.

Laclede has been able to increase rates since then by using an infrastructure surcharge that reimburses it for the cost of repairing aging gas pipes. It can use the mechanism to raise rates every six months without going through a full PSC audit.

But the law stipulates that natural gas utilities can't collect an infrastructure surcharge for more than three years without first returning to the PSC for a general rate case. A full financial review in a rate case would be due soon, but the proposed legislation would extend to five years the amount of time utilities can wait before a full rate case.

"I filed this with no regard to that legislation, but our thought was, if that passes, then we certainly are going to be waiting a long time for that rate case," Owen said.

In a statement, Laclede Gas said extending the infrastructure surcharge time limit to five years would reduce the number of rate cases that are ultimately paid for by customers. With many expecting the bill to hit the floor this week, Laclede said the Public Counsel's earnings complaint "appears to be timed for political purposes and is blatantly wrong."

"The return on investment that (Public Counsel) calculated is incorrect and not in keeping with regulatory law or practice," Spire spokeswoman Jenny Gobble said in a statement. "Laclede Gas is earning an amount within the standards set by the Missouri Public Service Commission and those approved for other gas utilities within the same timeframe."





The bill is probably dead in its Senate form but could be included in legislation from the Missouri House, said sponsor Sen. Ed Emery, R-Lamar. Rather than use an arbitrary time period, Emery said, companies that use the infrastructure surcharge should go before the PSC if business conditions have changed.

The fewer rate cases are, the fewer rate increases there will be, the senator said.

"You never have a rate case where the rate doesn't go up," Emery said. "So it's almost an automatic increase in prices to the customers."

Former Public Counsel John Coffman, now an attorney for the Consumers Council of Missouri, thinks ratepayers are missing out on savings from synergies and economies of scale that Laclede's parent has wrung out of recent big acquisitions. A full audit at the PSC is likely to show it's earning more than necessary, Coffman contends, which is why Laclede is pushing for more time before it has to file a case.

"They've been telling everyone they're trying to delay rate cases because they're trying to avoid rate increases," Coffman said of Laclede's lobbying in Jefferson City. "The reason we have rate cases every three years, that's the consumer protection part of the (infrastructure surcharge) law."

The Office of Public Counsel has also appealed recent PSC decisions on Laclede and Missouri Gas Energy's use of infrastructure replacement surcharges. Owen said the office believed the company was including infrastructure in its surcharge increases that wasn't covered by the statute, inflating the amount it can charge customers.

"Laclede is being allowed to consider things in their cases that are just not allowed by law," Owen said. "They should be allowed in a rate case, but they should not be allowed in these (infrastructure surcharge) cases that they can do every six months."



Customers who enjoyed low heating bills this winter might be confused at the timing. But the big drop in bills reflects only the cost of natural gas, which Laclede isn't supposed to profit from. It passes on the cost of fuel, and it makes its money based on the cost of maintaining its infrastructure and delivering the fuel.

Owens' office alleges Laclede Gas and Missouri Gas Energy, which serves Kansas City and other areas of Western Missouri, are both earning about a 10.45 percent return on equity, or profit. That compares with an average return on equity of about 9.6 percent among natural gas utilities, the office says.

In its last rate case, the PSC didn't set an explicit return on equity. But that shouldn't matter, given Laclede's returns compared with other utilities, Owen said.

"Any complaint case is going to be challenging, whether there's a set rate or not," he said, adding later: "We do believe that every day that goes by, this is having an impact on customers."

*The bills are SB 848 and HB 1804.*



Laclede Group is officially 'Spire'