

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 1st day of March, 2017.

In the Matter of the Application of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge in its Missouri Gas Energy Service Territory)	
)	<u>File No. GO-2016-0332</u>
)	Tariff No. YG-2017-0148
)	

In the Matter of the Application of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge in its Laclede Gas Service Territory)	
)	<u>File No. GO-2016-0333</u>
)	Tariff No. YG-2017-0147
)	

ORDER APPROVING RECONCILIATION

Issue Date: March 1, 2017

Effective Date: March 1, 2017

The Commission issued its Order Denying Rehearing in this matter on February 1, 2017, effective that same date. The Commission sought input from the parties on a reconciliation by directing the Staff of the Missouri Public Service Commission (Staff) to file a reconciliation that complies with Section 386.420, RSMo. However, Staff responded that due to the nature of the issues decided and the lack of specific information in the record, it was unable to complete a reconciliation by the February 24, 2017 deadline.

A teleconference with the parties was held on February 24, 2017, to discuss what the Commission should include in the reconciliation. No agreement could be reached as to a specific quantification and, so, the parties were directed to each set out what they believed the Commission should include in the reconciliation. Those filings were received on February 27, 2017.

An Infrastructure System Replacement Surcharge (ISRS) proceeding before the Commission is limited in scope. It is statutorily designed to provide the companies requesting changes with an expedited procedure so that specific infrastructure replacement costs are included in rates quickly and subject to further review in a later rate case. The two issues decided by the Commission at hearing in this case were whether hydrostatic testing costs should be included in the ISRS and whether costs incurred replacing plastic pipe “patches” were appropriate expenses to be included in the ISRS.

The hydrostatic testing costs were denied inclusion in rates as non-ISRS related charges. This finding was not the subject of a rehearing request. However, the parties provided the value of the issue for purposes of the reconciliation. That issue is worth \$176,300, and is shown on Staff’s Attachment A and Laclede Gas Company (Laclede) and Missouri Gas Energy’s (MGE’s) Appendix A, both of which are attached to this order.

The plastic pipe issue was not as easily quantified. During the course of the hearing, Laclede and MGE presented evidence of the value of the improvements and eligible ISRS-related changes as a whole. The value of the plastic pipe “patches” was not separated from the value of the other mains and service lines that were replaced. Therefore, the evidence provided by Laclede and MGE included only the total cost of replacing various segments of pipe, and did not break out which portion of the charge was specifically for replacing the plastic “patches.”

The evidence also showed that in several instances more cast iron pipe was retired than new pipe was put in the ground. Thus, the parties disagreed as to how the value of the “patches” that were replaced would even be determined or if it could. Ultimately, it was unnecessary for the Commission to determine the value of the “patches” because the

Commission found that the “patches” were an integral part of the replacement of the cast iron and steel segments of the line and should be included in total as part of the ISRS. The Commission approved Laclede Gas and MGE’s revised tariff sheets, which changed rates by including the entire replacement cost, less the value of the hydrostatic testing that was excluded by the Commission.

Subsection 386.420.4, RSMo, requires the Commission to “cause to be prepared . . . a detailed reconciliation containing the dollar value and rate or charge impact of each contested issue . . . and the customer class billing determinants used by the commission to calculate the rates and charges approved by the commission. . .” However, due to the nature of the issues in this case and the evidence presented, the value of the plastic pipe “patches” cannot be specifically determined.

Subsection 386.420.4, RSMo, also states that “In the event there is any dispute over the value of a particular issue . . . the commission shall also include in the reconciliation a quantification of the dollar value and rate charge impact associated with the dispute.” Such is the case here. There is a dispute among the parties as to how the value of plastic pipe “patches” should be established.

Because of this dispute, the Commission has included each of the positions of the parties for its reconciliation and attaches those positions to this order. Staff’s position is set out in its Attachment A and Attachment B for the Laclede and for the MGE operating divisions of Laclede Gas Company; Laclede and MGE’s position is set out in its Appendix A. Additionally, the Office of the Public Counsel suggested using the entire cost of replacements amounting to \$40,679,361.58 for Laclede Gas Company and \$35,997,222.77

for MGE. In the alternative, Public Counsel suggested excluding the entire ISRS request as the value of the reconciliation.

THE COMMISSION ORDERS THAT:

1. A reconciliation is approved, as represented by each of the positions of the parties as set out above and in Staff Attachments A and B for Laclede and Staff Attachments A and B for Missouri Gas Energy, and in Laclede Gas Company's Appendix A.
2. This order shall be effective when issued.



BY THE COMMISSION

A handwritten signature in cursive script that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Hall, Chm., Stoll, Kenney,
Rupp, and Coleman, CC., concur.

Dippell, Senior Regulatory Law Judge

Laclede Gas Company
ISRS Case No. GO-2016-0333
Reconciliation of Contested Issues

	Staff	Laclede	OPC
Total Revenue Requirement	4,504,138	4,504,138	4,504,138 ¹
<i>Value of Contested Issues:</i>			
Hydrostatic Testing	-	-	-
Revenue Requirement less Hydrostatic testing	<u>4,504,138</u>	<u>4,504,138</u>	<u>4,504,138</u>
Removal of Plastic Pipe	-	-	1,126,035 ²
Revenue Requirement less removal of plastic pipe	<u>4,504,138</u>	<u>4,504,138</u>	<u>3,378,104</u>
Revenue Requirement less Contested Issues	<u>4,504,138</u>	<u>4,504,138</u>	<u>3,378,104</u>

¹ OPC has not indicated opposition to Staff's recommended revenue requirement other than the listed contested issue.

² Value for removal of plastic pipe issue is calculated at 25% of Revenue Requirement less Hydrostatic testing.

**LACLEDE GAS COMPANY
CASE NO. GO-2016-0333 & YG-2017-0147
RECONCILIATION**

Removal of Plastic Piping

Total Revenue Requirement **\$1,126,035**

Customer Rate	Number of Customers	Customer Charge	Ratio To Residential Customer Charge	Weighted Customer Nos.	Customer Percentage	Proposed ISRS Adjust	Proposed ISRS Revenues
Residential	606,244	\$19.50	1.0000	606,244	87.94%	\$0.14	\$990,234
Com & Ind. Class 1	30,824	\$25.50	1.3077	40,308	5.85%	\$0.18	\$65,839
Com & Ind. Class 2	9,006	\$44.29	2.2713	20,455	2.97%	\$0.31	\$33,411
Com & Ind. Class 3	606	\$88.57	4.5421	2,752	0.40%	\$0.62	\$4,496
Large Volume	72	\$874.78	44.8605	3,230	0.47%	\$6.11	\$5,276
Interruptible	18	\$776.36	39.8133	717	0.10%	\$5.42	\$1,171
Transportation	147	\$2,069.94	106.1508	15,604	2.26%	\$14.45	\$25,488
Transportation - Other	0	\$1,707.94	87.5867	0	0.00%	\$0.00	\$0
Gas Light	87	\$5.69	0.2918	25	0.00%	\$0.04	\$41
Vehicular Fuel	9	\$22.09	1.1328	10	0.00%	\$0.15	\$17
Liquid Propane	44	\$17.00	0.8718	38	0.01%	\$0.12	\$63
	647,057			689,385	100.00%	\$1,126,035	

THESE ARE NOT RATES / RATHER THEY ARE ADJUSTMENTS TO RATES

Missouri Gas Energy
ISRS Case No. GO-2016-0332
Reconciliation of Contested Issues

	Staff	MGE	OPC
Total Revenue Requirement	3,362,598	3,362,598	3,362,598 ¹
<i>Value of Contested Issues:</i>			
Hydrostatic Testing	-	-	(176,300)
Revenue Requirement less Hydrostatic testing	<u>3,362,598</u>	<u>3,362,598</u>	<u>3,186,298</u>
Removal of Plastic Pipe	-	-	318,630 ²
Revenue Requirement less removal of plastic pipe	<u>3,362,598</u>	<u>3,362,598</u>	<u>2,867,668</u>
Revenue Requirement less Contested Issues	<u>3,362,598</u>	<u>3,362,598</u>	<u>2,867,668</u>

¹ OPC has not indicated opposition to Staff's recommended revenue requirement other than the listed contested issues.

² Value of removal of plastic pipe is calculated at 10% for Revenue Requirement less Hydrostatic testing.

**LACLEDE GAS COMPANY - MGE DIVISION
CASE NO. GO-2016-0332 & YG-2017-0148
RECONCILIATION**

Removal of Plastic Pipe

Total Revenue Requirement **\$ 318,630**

Customer Rate Class	Number of Customers	Customer Charge	Ratio to Residential Customer Charge	Weighted Customer Nos.	Customer Percentage	Proposed ISRS Charge	Proposed ISRS Revenues
Residential	445941	\$ 23.00	1	445941	78.5626%	\$ 0.05	\$ 250,324
Small General Service	57881	\$ 34.00	1.478261	85563.21739	15.0739%	\$ 0.07	\$ 48,030
Large General Service	3421	\$ 115.40	5.017391	17164.49565	3.0239%	\$ 0.23	\$ 9,635
Large Volume	482	\$ 904.56	39.328696	18956.4313	3.3396%	\$ 1.84	\$ 10,641
	<u>507,725</u>			<u>567625.1443</u>			\$ 318,630

THESE ARE NOT RATES / RATHER THEY ARE ONE-TIME ADJUSTMENTS TO RATES

Missouri Gas Energy
ISRS Revenue Requirement Reconciliation

Value of Hydrostatic Testing Issue	ISRS Total without Hydrostatic Testing Costs	ISRS Total with Hydrostatic Testing Costs	Difference
ISRS Activity:			
Gas Utility Plant Projects--Total -(RM) RSMo 393.1012:			
<u>Work Orders Placed in Service:</u>			
Replacement Mains, Services and Associated Valves and Regulators	\$ 34,149,746	\$ 35,997,151	\$ (1,847,404)
Deferred Taxes (Previous ISRS)	(2,148,408)	(2,148,408)	-
Accumulated Depreciation (Previous ISRS)	(1,211,026)	(1,211,026)	-
Deferred Taxes (Current)	(4,362,339)	(4,729,579)	367,240
Accumulated Depreciation (Current)	(231,052)	(240,273)	9,221
Total ISRS Rate Base	\$ 26,196,921	\$ 27,667,865	\$ (1,470,943)
Pre-tax rate of return from S&A in GR-2014-0007	9.75%	9.75%	
Total Revenue Requirement on Capital	\$ 2,554,200	\$ 2,697,617	\$ (143,417)
Depreciation Expense	\$ 632,098	\$ 664,982	\$ (32,884)
Property Taxes	\$ -	\$ -	
Current ISRS Revenues	\$ 3,186,298	\$ 3,362,598	\$ (176,301)
Value of Hydrostatic Testing Issue	\$ (176,301)		
Charges by Customer Class			
Residential	\$ 1.97	\$ 2.00	\$ (0.03)
Small General	\$ 2.92	\$ 2.96	\$ (0.04)
Large General	\$ 9.90	\$ 10.03	\$ (0.13)
Large Volume	\$ 77.60	\$ 78.62	\$ (1.02)
Whiteman AFB	\$ 77.60	\$ 78.62	\$ (1.02)
Transportation	\$ 77.60	\$ 78.62	\$ (1.02)

Value of Incidental Plastic Issue

UNDEFINED - NO BASIS FOR QUANTIFICATION

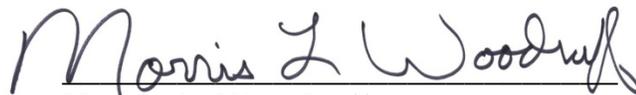
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission,
at Jefferson City, Missouri, this 1st day of March 2017.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

March 1, 2017

File/Case No. GO-2016-0332 and GO-2016-0333

Missouri Public Service Commission

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Missouri Public Service Commission

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



**Morris L. Woodruff
Secretary**

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.