

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Verified Application and)	
Petition of Laclede Gas Company to Change its)	<u>File No. GO-2012-0356</u>
Infrastructure System Replacement Surcharge)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Commission (Staff) and for its Recommendation in this case states:

1. On April 27, 2012, Laclede Gas Company (Laclede) filed a Verified Application with the Commission, requesting authorization to establish an Infrastructure System Replacement Surcharge (ISRS) pursuant to Sections 393.1009, 393.1012 and 393.1015.¹

2. In its Application, Laclede scheduled the tariff to become effective on July 9, 2012, about 73 days after filing.

3. By statute, the Staff may “examine information of the gas corporation to confirm that the underlying costs are in accordance with” the statute, and “may submit a report regarding its examination to the commission no later than sixty days after the petition is filed.” Section 393.1015(2).

4. Staff’s Report (Attachment A) is typically filed close to the sixtieth day after the Application is filed because the Company updates information during the period Staff is examining information.

5. Staff uses the updated information to calculate the Infrastructure System Replacement Surcharge (ISRS) rates to be as accurate as possible on the date the

¹ All statutory references are to the Revised Statutes of Missouri (2000 as currently supplemented).

surcharge is implemented. Staff's calculated rates are shown in Attachment B to this filing.

6. The methodology used by the Auditing Unit Staff allows Staff to consider all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacements costs through August 31, 2012.

7. This methodology is consistent with past reviews conducted by the Auditing Unit Staff, and is consistent with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement 120-days following the filing of the Application.

8. Laclede's filed effective date, however, is Monday July 9, which gives the Commission only 13 days past the 60 day statutory provision for Staff's report filing in which to act on the tariff filing.

9. If the Commission does not act within these 13 days, the tariff will go into effect by operation of law. In this case, Staff's recommended rates are higher than Laclede's filed tariff rates, so it would not be in Laclede's interest for this to occur.

10. In its *Laclede Gas Company's Reply to Staff Response Regarding Suspension of Tariff*, Laclede commits to voluntarily extend the tariff effective date as necessary to accommodate any complication. (Laclede Response para. 8.)

11. Staff does not doubt that Laclede will do so.

12. Staff reiterates its position, however, that Laclede's practice of setting a 70 day effective date should not be permitted to become an unapproved standard practice.

WHEREFORE, Staff files its Report in this case and recommends the Commission issue its order suspending the tariff for an additional period of at least 30 days to permit time for the Commission to issue its order and allow time for any Motions Objecting to the Order to be filed. The Commission should also issue its order that: rejects the ISRS tariff sheet (YG-2012-0623) filed by Laclede on April 27, 2012; approves the Staff's recommended ISRS incremental pre-tax revenues of \$3,222,113; and authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B to this filing to produce approximately \$9,986,658 in total ISRS surcharge rates

Respectfully submitted,

/s/ Lera L. Shemwell

Lera L. Shemwell
Deputy General Counsel
Missouri Bar No. 43792

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 22nd day of June, 2012.

/s/ Lera L. Shemwell

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2012-0356, File No. YG-2012-0623, Laclede Gas Company

FROM: Sarah Sharpe - Auditing
Michael Ensrud - Energy - Tariffs / Rate Design

/s/ Tom Imhoff 06-25-2012
Energy Unit/Date

/s/ Lera Shemwell 06-25-2012
Staff Counsel's Office/Date

SUBJECT: Staff Report and Recommendation Regarding the Verified Application and
Petition of Laclede Gas Company to Increase its Infrastructure System
Replacement Surcharges

DATE: June 25, 2012

BACKGROUND

On April 27, 2012, Laclede Gas Company ("Laclede" or "Company") filed with the Missouri Public Service Commission ("Commission") its "Verified Application and Petition of Laclede Gas Company to Change Its Infrastructure System Replacement Surcharge" ("Application"). Laclede's Application is governed by sections 393.1009 to 393.1015, RSMo (2000)¹ and Commission Rule 4 CSR 240-3.265 (Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges), which allow Gas corporations, such as Laclede, to recover certain qualifying infrastructure system replacement costs outside of a formal rate case, through a surcharge on customers' bills.

This case is Laclede's fourth ISRS filing following its most recent rate case, Case No. GR-2010-0171. Laclede currently has in place infrastructure system replacement surcharges ("ISRS") rates that cumulatively generate \$6,764,545 annually. Existing Laclede ISRS rates were established in Case Nos. GO-2011-0058 on January 7, 2011, GO-2011-0361 on July 8, 2011, and GO-2012-0145 on January 13, 2012.

In its application, Laclede requested a variation from standard procedure by requesting a July 9, 2012 effective date of the tariff, which is approximately 73 days from the date of Application. The Staff has filed a response to this request seeking the full 120 day suspension period.

On April 30, 2012, the Commission issued its "Order Directing Notice, and Setting Intervention Date." The intervention date was set for May 21, 2012.

On May 29, 2012, the Commission issued its "Order Granting Application To Intervene," of USW Local 11-6

¹ Unless otherwise noted, all references to statutes refer to the Missouri Revised Statutes 2000, as currently supplemented.

On May 29, 2012, the Commission issued its “Order Directing Filing of Staff Report,” with a due date of June 26, 2012.

On May 31, 2012, Staff submitted “Staff Response to Laclede’s Proposed Tariff Effective Date and Motion to Suspend Tariff Filing”.

On June 11, 2012, Laclede filed a Reply to Staff Response Regarding Suspension of Tariff.

On June 20, 2012, Staff filed a response to Laclede’s response pertaining to the July 9, 2012 tariff effective date.

STAFF REVIEW AND REVENUE CALCULATION

In its Application, Laclede filed to recover ISRS qualifying infrastructure replacement costs incurred during the period December 1, 2011 through March 31, 2011, and pro-forma costs through May 31, 2012. This request is consistent with the method used to calculate the ISRS rate approved in Laclede’s previous ISRS filings. This is also consistent with Staff’s view that the calculation of the ISRS surcharge should closely reflect the revenue requirement that will exist on the effective date of the ISRS rates.

The Auditing Unit Staff has reviewed Laclede’s ISRS application including all supporting workpapers and calculations, an audit sample of work orders, and conducted meetings with Laclede personnel to gain clarification of Laclede’s Application when necessary. Staff also reviewed the Company’s updated calculations for qualifying ISRS eligible plant placed into service during April and May 2012 based upon actual qualifying infrastructure replacement costs incurred during that time period.

The methodology used by the Auditing Unit Staff allows Staff to consider all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacements costs through August 31, 2012. This methodology is consistent with past reviews conducted by the Auditing Unit Staff, and is consistent with Staff’s view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the 120-day effective date of the ISRS rates, which in this case is August 25, 2012.

Upon Application and in compliance with Commission rules, Staff routinely updates surcharges in ISRS filings to reflect a cumulative revenue requirement consistent with Staff’s calculation of all ISRS surcharges, accumulated deferred income taxes, and depreciation on ISRS plant from previous ISRS filings. As a result of this update, Staff presents the table below:

Cumulative ISRS Revenue Requirement	
ISRS Revenue Requirement #1	\$2,490,876
(GO-2011-0058)	
ISRS Revenue Requirement #2	\$2,319,935
(GO-2011-0361)	
ISRS Revenue Requirement #3	\$1,953,734
(GO-2012-0145)	
Subtotal of ISRS Revenue	\$6,764,545
ISRS Revenue Requirement #4	\$3,222,113
(GO-2012-0356)	
Total of ISRS Revenue	\$9,986,658

STAFF RECONCILIATION

Commission Rule 4 CSR 240-3.265 (17) requires that Staff reconcile the ISRS revenue Laclede collected from customers in the prior period to account for over or under-collection of ISRS revenue. Based on this reconciliation, the Staff verified that the Company had under-collected ISRS related revenues from its customers by \$190,594 during the period October 2010 through March 2012. This amount of under-collection is included in Laclede's overall ISRS revenue requirement calculation in this proceeding. Based upon its review and all of its calculations, the Staff is recommending that Laclede receive incremental ISRS revenues of \$3,222,113.

THE ISRS RATE SCHEDULE

Staff's proposed rate calculations are consistent with the methodology used to establish Laclede's past ISRS rates and consistent with the overall methodology used to establish ISRS rates for other utilities. Staff's proposed ISRS rates are shown in Attachment B.

As part of this process and to assure current information is used to calculate rates, Laclede recalculated the rates in its Application rates using a customer count that is consistent with what Laclede filed in its most current annual report. Staff has verified that Laclede has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

RECOMMENDATION

Staff recommends that the Commission issue an order in this case that:

1. Rejects the ISRS tariff sheet (YG-2012-0623) filed by Laclede on April 27, 2012;
2. Approves the Staff's recommended ISRS incremental pre-tax revenues of \$3,222,113; and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B. Total ISRS rates are projected to produce \$9,986,658 annually and are consistent with the revised revenue requirement established in this case.

LACLEDE GAS COMPANY
CASE NO. GO-2011-0361 & YG-2012-0623
ISRS RATE DESIGN

Attachment B

Staff's Total ISRS Rev Req

\$9,986,658

<u>Customer Rate</u>	<u>Cust # Dec. 10</u>	<u>Customer Charge</u>	<u>Ratio To Res</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	597,559	\$19.50	1.0000	597,559	88.25%	\$1.23	\$8,813,333
Com & Ind. Class 1	31,210	\$25.50	1.3077	40,813	6.03%	\$1.61	\$601,948
Com & Ind. Class 2	8,933	\$40.50	2.0769	18,553	2.74%	\$2.55	\$273,638
Com & Ind. Class 3	630	\$81.00	4.1538	2,617	0.39%	\$5.11	\$38,597
Large Volume	82	\$800.00	41.0256	3,364	0.50%	\$50.42	\$49,617
Interruptible	15	\$710.00	36.4103	546	0.08%	\$44.75	\$8,055
Transportation	140	\$1,893.00	97.0769	13,591	2.01%	\$119.31	\$200,449
Transportation - Other	0	\$1,531.00	78.5128	0	0.00%	\$0.00	\$0
Gas Light	97	\$5.20	0.2667	26	0.00%	\$0.33	\$382
Vehicular Fuel	4	\$20.20	1.0359	4	0.00%	\$1.27	\$61
Liquid Propane	45	\$17.00	0.8718	39	0.01%	\$1.07	\$579
	638,715			<u>677,112</u>	<u>100.00%</u>		<u>\$9,986,658</u>

* Due to rounding to the nearest penny, the designed ISRS rates will over-collect by \$7,403. However, it should be noted that the total amount collected will be true-up at a later date.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

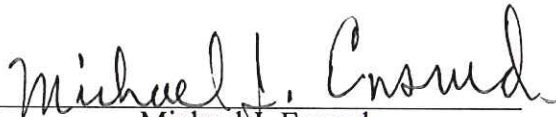
In the Matter of the Verified)
Application and Petition of Laclede)
Gas Company to Change its)
Infrastructure Replacement Surcharge)

Case No. GO-2012-0356
YG-2012-0623

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael J. Ensrud, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


Michael J. Ensrud

Subscribed and sworn to before me this 20th day of June, 2012.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

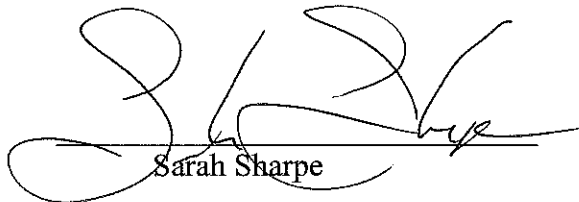
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File No. GO-2012-0356

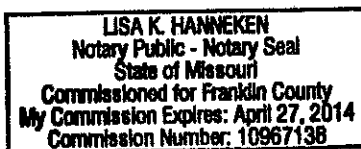
AFFIDAVIT OF SARAH SHARPE

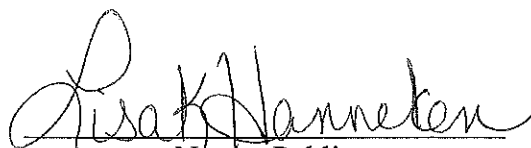
STATE OF MISSOURI)
)
COUNTY OF St Louis) ss.

Sarah Sharpe, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.


Sarah Sharpe

Subscribed and sworn to before me this 21st day of June, 2012.




Notary Public