

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

In the Matter of Laclede Gas Company's)	
Application to Establish Depreciation)	Case No. GO-2012-0363
Rates for Enterprise Computer Software)	
Systems.)	

APPLICATION FOR REHEARING

COMES NOW the Office of the Public Counsel ("Public Counsel") and for its Application for Rehearing states as follows:

1. Public Counsel requests a rehearing of the Commission's Report and Order to address the issue of whether Laclede has presented sufficient evidence to meet its burden of proving that there are no existing accounts in which to book the newly acquired software. Laclede's claim that the new software is deserving of a newly created account is not supported by sufficient evidence because the evidence shows that Laclede's new software is simply replacing old software that is currently depreciating or has fully depreciated through existing accounts. Moreover, applying a blanket 15-year service life for all newly acquired software fails to recognize that there were multiple software purchases from multiple manufacturers, and these different software purchases will perform different functions – making it highly unlikely that these different software components will have identical service lives.

2. When Laclede filed its Application, and when Laclede filed its testimony in this case, Laclede knew that the only way it could get around the Commission's single-issue ratemaking concerns is if Laclede could convince the Commission that it needed to create a new account to book the new software. For this reason, Laclede created the

fiction that its new software is so different from the software it is replacing, that it is an entirely new category of expense never before seen by Laclede. However, the “evidence” claimed by Laclede is nothing more than Laclede’s unsupported assertion that the new software is different. Laclede provides no empirical evidence that provides any real proof other than witness conjecture that its software provides significantly different functions than the software it is replacing. This is because the evidence shows otherwise – the evidence shows that the new software will perform the same functions as the software it will replace, along with a few enhancements, as one would expect from a software upgrade. Laclede will maintain the same hardware, and is only upgrading the software that is used by that hardware. Software upgrades are a routine occurrence for any data processing system, and the mere fact that Laclede’s latest software upgrade comes at a considerable expense is no reason to go along with the fiction that the new software is unlike anything ever expensed before by Laclede.

3. By relying upon Laclede’s misleading claims, the Commission has *changed* a depreciation rate for a class of software outside of a rate case and without the benefit of a depreciation study, which violates decades of utility ratemaking, as well as the Commission’s single issue ratemaking concern and conclusion that depreciation rates should not be changed without a depreciation study that analyzes *all* depreciation rates.

4. The Commission’s Report and Order appears to be premised upon the Commission’s incorrect conclusion that Uniform System of Accounts (USOA) sub-accounts 391.1 Data Processing Systems and 391.3 Data Processing Software, are used only for recording depreciation related to desktop computers and associated software. However, this conclusion does not identify any other account in which Laclede

depreciates non-desktop software. There are no other accounts because Laclede has chosen to depreciate all computer software through Accounts 391.1 and 391.3, *including non-desktop software*. By choosing to book its expenses in this manner, Laclede has benefited by depreciating non-desktop software at the shorter desktop software life, thus allowing Laclede to recover its expenses quicker. Moreover, Laclede's systems could not possibly run on desktop software alone, and the evidence in the case shows that Laclede currently uses non-desktop software to perform the very functions that will be performed by the new software. The multi-million dollar impact on consumers is far too great to allow Laclede's weak evidence to determine the outcome of this case, and rehearing this matter will allow the evidence to be better developed before the Commission, allowing for a more informed decision.

5. Public Counsel also seeks rehearing because the evidence is insufficient to prove that *all* new software purchases will have an identical 15-year life. Laclede's new software includes software to be used for many different functions, including: (1) fixed asset accounting, (2) tax accounting, (3) reporting, (4) payment processing, (5) supply chain functions, (6) billing, (7) collections, (8) customer service, (9) asset management and (10) work management. Laclede provided no evidence to show the portion of its software upgrade expenses that are to be allocated to these different functions, nor did Laclede provide evidence to show why these different functions would all have an equal service life. Instead, the evidence before the Commission shows that these different functions have historically had different service lives. Rehearing will give the Commission an opportunity to analyze the specifics of each software purchase to determine whether certain software components should use a shorter or longer service life

than other software components, which will produce a better decision than one that simply applies a blanket 15-year life to all software regardless of whether 15-years is appropriate for each specific software function.

6. Ratepayers will pay millions more in future rates as a result of allowing the depreciation rate change, but it is not too late to rehear this matter to ensure that the Commission has the best evidence available before forcing consumers to shoulder these additional costs. Public Counsel strongly urges the Commission to grant rehearing and require Laclede to provide concrete evidence of the uniqueness of the new software, and concrete evidence of the service life for each new software component.

WHEREFORE, the Office of the Public Counsel respectfully requests rehearing.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Marc D. Poston

Marc D. Poston (#45722)

Deputy Public Counsel

P. O. Box 2230

Jefferson City MO 65102

(573) 751-5558

(573) 751-5562 FAX

marc.poston@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been emailed to all counsel of record this 11th day of October 2012:

Missouri Public Service Commission

Lera Shemwell
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
Lera.Shemwell@psc.mo.gov

Missouri Public Service Commission

Office General Counsel
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
GenCounsel@psc.mo.gov

Laclede Gas Company

Michael C Pendergast
720 Olive Street, Suite 1520
St. Louis, MO 63101
mpendergast@lacledegas.com

Laclede Gas Company

Rick E Zucker
720 Olive Street
St. Louis, MO 63101
rzucker@lacledegas.com

/s/ Marc Poston
