

**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.	)	

**POSITION STATEMENT OF  
THE OFFICE OF THE PUBLIC COUNSEL**

**COMES NOW** the Missouri Office of the Public Counsel ("Public Counsel" or "OPC") and for its Position Statement, states as follows:

**Issue: Should the Commission grant Laclede's request for authority to establish a new depreciation rate for its Enterprise Information Management System ("EIMS")?**

Public Counsel respectfully urges the Commission to deny Laclede Gas Company's request to set new depreciation rates for its computer software upgrades. Laclede's request is unreasonable because it seeks to change a single depreciation rate without the evidence necessary to allow the Commission to determine whether other offsetting depreciation rates should also be changed. Denying Laclede's request is in the public interest because such offsetting depreciation rate changes could minimize or even eliminate the impact to consumers of making a single depreciation rate change, a change that would without question increase future expenses and future consumer rates. Laclede's current gas distribution rates may be allowing Laclede to earn more than its authorized rate of return. Changing Laclede's depreciation rate for this one item could exasperate this consumer harm by allowing Laclede to pass current depreciation expenses

to future periods, which violates the matching principle, that is, the ratemaking concept that rates should be set to recover no more than the expense incurred during the period in which service was provided.

It is Public Counsel position that granting Laclede's Application would be analogous to single-issue ratemaking, a position supported by the Commission in Case No. ER-2008-0318, wherein the Commission made the following findings regarding OPC's attempt to change a depreciation rate without the benefit of a depreciation study:

Staff and AmerenUE contend no adjustment should be made at this time without the benefit of a full depreciation study. The Commission finds that Staff and AmerenUE are correct in their concern about making an isolated adjustment to a few depreciation accounts outside the context of a full depreciation study. Such an isolated adjustment is closely analogous to the larger concept of single-issue ratemaking. Just as it would be inappropriate to adjust a utility's rates based on a change to a single item without considering changes in all other items that may off-set that single item, it would be to adjust a few depreciation rates without looking at all depreciation rates in a complete study. In a complete study, depreciation rates for some accounts may increase, while others decrease. The balance of the increases and decreases is what is important in establishing depreciation rates for the company.<sup>1</sup>

Laclede's new Enterprise Information Management System (EIMS) software replaces existing software that currently provides Laclede with billing, accounting, collections, customer service, and other software functions. Until Laclede submits a depreciation study that properly analyzes the software and proves that the rate for EIMS software should be changed, Laclede should follow the accounting practice of recording the new software in the same depreciation account as the software it replaces.

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<sup>1</sup> *In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area*, Case No. ER-2008-0318, Report and Order, p. 95.

Laclede's request also seeks to violate the terms of the Stipulation and Agreement ("Stipulation") entered between Laclede, the Commission's Staff, Public Counsel, USW Local 11-6, Missouri Industrial Energy Consumers (MIEC), and the Missouri Energy Group that settled Laclede's last rate case, Case Number GR-2010-0171. In exchange for receiving a \$31.4 million rate increase, Laclede agreed in the Stipulation that it would apply a 20% depreciation rate on all data processing software and a 20% depreciation rate on all data processing systems, and the Commission ordered Laclede to follow this term of the Stipulation. The Stipulation specifically states:

The Parties agree that the Company's depreciation rates shall remain unchanged, except for Account Nos. a/c 352, 352.2, 352.3, 352.4, 371.7, 392.1, 392.7. The specific rates applicable to these accounts are set forth in Attachment B hereto and incorporated by reference herein. Such rates shall become effective beginning with the effective date of the rates established in this case. All other depreciation issues shall be considered resolved for purposes of this case.<sup>2</sup>

Attachment B to the Stipulation requires Laclede to apply a 20% depreciation rate to USOA Account 391.1, "Data processing systems", and a 20% depreciation rate to USOA Account 391.3, "Data processing software." Allowing Laclede to unilaterally make changes to the terms of the Stipulation is not in the public interest because it would: 1) Violate of the Stipulation; 2) Violate the Report and Order approving the Stipulation;<sup>3</sup> and 3) Deter Public Counsel from settling rate cases if settlement agreement terms are not enforced by the Commission. The terms of the Stipulation should be enforced by the Commission until Laclede's rates have been reset in the context of a general rate increase request.

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<sup>2</sup> *In the Matter of Laclede Gas Company's Tariff to Revise Natural Gas Rate Schedules*, Case No. GR-2010-0171, Partial Stipulation and Agreement, filed July 23, 2010, p. 10.

Lastly, it is Public Counsel's position that the Commission should direct Laclede to file a depreciation study with the general rate increase filing that Laclede expects to file in the next three (3) to five (5) months. Directing Laclede to file a depreciation study with its upcoming rate case will protect consumers by ensuring that the depreciation rates for Laclede's new computer software are based on an analysis that will set an accurate rate based on a properly conducted depreciation study.

WHEREFORE, the Office of the Public Counsel respectfully submits this Position Statement.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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**CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to all counsel of record this 8<sup>th</sup> day of August 2012:

/s/ Marc Poston

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<sup>3</sup> *In the Matter of Laclede Gas Company's Tariff to Revise Natural Gas Rate Schedules*, Case No. GR-2010-0171, Report and Order, issued August 18, 2010.