

In the matter of Laclede Gas Company's )  
application to establish depreciation rates for ) **Case No. GO-2012-0363**  
Enterprise Computer Software Systems )

**COMES NOW** Laclede Gas Company (“Laclede” or “Company”) and files this Response to the Application for Rehearing filed by the Office of the Public Counsel (“Public Counsel”) on October 11, 2012. In support of its Response, Laclede states as follows:

2. Public Counsel's arguments are not persuasive, because (i) there was more than ample evidence to support the Commission's finding that EIMS did not fit into an existing depreciation account and therefore warranted a new subaccount, and (ii) because there was clear evidence that EIMS is an integrated system that is being acquired and assembled as a single enterprise-wide asset and should not be separated into functional parts.

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John Spanos, for the proposition that “EIMS is quite different from the computer software for which Laclede has been recording depreciation under the existing subaccounts.” (Order, p. 7) The Commission found that the expert testimony offered by Laclede and Staff to be quite credible. (*Id.*) In contrast, the Commission, citing the testimony of Laclede witness Glenn Buck, found Public Counsel’s position that EIMS should be placed into the existing five-year software account to be unreasonable. Specifically, the Commission found it “unreasonable to believe that Laclede would contemplate replacing a \$60 million management system after only five years when the existing core management systems have lasted between 10 and 25 years...” (*Id.*)

4. Public Counsel’s characterization of Laclede’s evidence as weak is also unfounded. In fact, the evidence supporting the new type of investment was not only abundant, but it was reinforced by multiple witnesses. The three witnesses who supported a new account for EIMS included not only two Laclede witnesses, but also Staff expert John Robinett, who clearly spent considerable time studying this issue. (See Exhibit 5, pp. 2-3) To the contrary, it is Public Counsel’s evidence that is weak, relying solely on the argument that the massive, integrated EIMS system is not a new type of asset because it is replacing functions already being performed by various software components. The record is rife with evidence and examples of why this argument is flawed. (See Laclede Brief, pp. 5-10, with numerous cites to Exhibits 1, 2, 3, 5, 7, and the transcript)

5. In summary, the overwhelming weight of the evidence, as provided by three witnesses, supports the Commission’s decision to establish a new subaccount for EIMS. Public Counsel’s argument to the contrary is not new; it was clearly considered and rejected by the Commission. Pursuant to Section 386.500.1 RSMo, the Commission will hold a

rehearing only where sufficient reason exists. Simply reiterating an argument does not provide sufficient reason to rehear this case.

6. Public Counsel's second argument is that more evidence is needed to analyze the different functions covered by EIMS in order to possibly apply different service lives. Public Counsel cited no evidence to support this theory and none exists in the record. Instead, the record is replete with evidence that the EIMS asset is being acquired and assembled as one integrated asset. (Exh. 1, p. 6, Exh. 2, pp. 3, 12-13, Exh. 3, pp. 4, 8, 11; Tr. 44, 68) In addition, this theory was not applied in the Missouri American rate case, Case No. WR-2011-0337, where Public Counsel and the other parties agreed to a depreciation service life for an asset that was nearly identical to Laclede's EIMS.

7. Moreover, Public Counsel's theory is irrational. Trying to break EIMS into functional parts is akin to depreciating a car by separately depreciating its functional parts. While the tires perform a rolling function, and the battery performs an electrical function and the wipers perform a visual function, and all three of these components will likely have lives that differ from the life of the car, it would be irrational to depreciate these component parts separately from the automobile itself. Likewise, it is irrational to break up the software comprising EIMS into its component parts for purposes of depreciation. Thus, the Commission acted reasonably in finding that one depreciation rate for the EIMS asset was appropriate.

8. In summary, there is overwhelming evidence supporting the Commission's decision to establish a new subaccount for Laclede's EIMS asset, and there is no evidence, nor reason to take additional evidence, on the irrational idea of dividing EIMS into component parts for depreciation purposes.

**WHEREFORE**, based on the foregoing reasons, Laclede Gas Company respectfully requests that the Commission deny Public Counsel's Application for Rehearing.

Respectfully submitted,

**/s/ Michael C. Pendergast**

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**CERTIFICATE OF SERVICE**

The undersigned certifies that a true and correct copy of the foregoing Application was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 22nd day of October, 2012 by hand-delivery, fax, electronic mail or United States mail, postage prepaid.

**/s/ Rick Zucker**

Rick Zucker