

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

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

## **STATEMENT OF POSITION OF LACLEDE GAS COMPANY**

**COMES NOW** Laclede Gas Company (“Laclede” or “Company”), and submits its Statement of Position in the above captioned case. For the Commission’s convenience, the issues from the parties’ issues list are set forth below, followed by Laclede’s Statement of Position.

## Issue No. 1

Should the Commission grant Laclede’s request for authority to establish a new depreciation rate for its Enterprise Information Management System (“EIMS”)?

### Laclede Statement of Position:

Yes. Laclede is making an unprecedented investment in a computer system that will serve nearly the entire organization. Over the past 25 years, Laclede has added or changed various components of its computer system. The core components of its system have been in service between 10 and 25 years. Based upon this experience with computer systems, and the large investment of time and resources required to install and launch EIMS, the Company believes that the useful life of this asset will be in the neighborhood of 15-20 years. Laclede originally requested a 20 year life based on the 20 year time period afforded for the same type of asset in the Missouri American Water Company rate case. Staff has since filed testimony advocating a 15 year life and a 7% depreciation rate. In surrebuttal testimony, the Company agreed to this rate, so Laclede and Staff are in agreement on both of the issues in this case.

Currently, the company has only one software account, and it carries a 5 year life and a 20% depreciation rate. This life estimate is appropriate for desktop software, but as stated above, has proven to be too short a timeframe even for the various system components that Laclede has implemented over the years.

There is no question that EIMS does not belong in the Company's lone software account, as it cannot be lumped with desktop software or even component information management systems. It is an asset unlike any asset that Laclede has previously owned in its complexity, cost, integrative features and scope. It is a comprehensive enterprise system that will be in place for many years. Forcing EIMS into an account with a 5 year depreciation life would constitute a gross violation of basic depreciation principles that mandate that the cost of an asset be recovered over the period of time that it will be in service and providing benefits. It would also needlessly and disproportionately burden customers over the next several years with an artificially high level of depreciation expense for an asset that can be expected to provide benefits to customers for many years into the future.

The Company further believes that it has fully addressed the primary concerns cited by Public Counsel for opposing this request. Specifically, the Company: (a) has indicated its willingness to submit a full depreciation study in its next rate case before the rates charged customers are changed; (b) has agreed to a higher depreciation rate than its original proposal, which was based on the Commission's decision in the Missouri-American Water Company case; and (c) has acknowledged that Public Counsel will remain free in its next rate case to: (i) question the reasonableness and prudence of the EIMS investment; (ii) propose its alternative depreciation rate for the EIMS investment;

and (iii) if that higher depreciation rate is ultimately approved, to have the depreciation reserve and other associated cost of service items calculated as if the higher rate had been in effect during the stub period between October 1, 2012 and when the higher rate becomes effective. Given these concessions to Public Counsel's position, the Company believes there is no conceivable basis remaining for the Commission to reject the establishment of a realistic, 7% depreciation rate for the EIMS asset.

**Issue No. 2**

If the answer to 1 is yes, what depreciation rate should the Commission order for EIMS?

**Laclede Statement of Position:**

As stated above, Laclede has agreed with Staff's testimony that a 15 year life, and a 7% depreciation rate, is appropriate for EIMS. Laclede's expert testimony has shown that a 15 year service life is appropriate, consistent with the service lives that have been established for other utilities that have installed similar systems, and comparable to the 20 year service life that the Commission recently found reasonable for another utility installing a similar system here in Missouri. 7% is certainly a reasonable depreciation rate for EIMS. OPC's proposal of a 5 year life and a 20% rate falls outside any reasonable estimate of EIMS' useful life.

**WHEREFORE**, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission accept for its consideration this Statement of Position.

Respectfully submitted,

**/s/ Michael C. Pendergast**

Michael C. Pendergast

Vice President and Associate Gen. Counsel

Missouri Bar No. 31763  
Rick Zucker  
Missouri Bar No. 49211  
Assistant General Counsel - Regulatory

Laclede Gas Company  
720 Olive Street  
Room 1520  
St. Louis, MO 63101  
(314) 342-0532  
(314) 421-1979 (Fax)  
[mpendergast@lacledegas.com](mailto:mpendergast@lacledegas.com)

ATTORNEYS FOR LACLEDE GAS  
COMPANY

**Certificate of Service**

The undersigned certifies that a true and correct copy of the foregoing pleading was served on the parties to this case on this 8th day of August, 2012, by hand-delivery, e-mail, fax, or by United States mail, postage prepaid.

**/s/ Gerry Lynch**\_\_\_\_\_