

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

In the Matter of the Application of Laclede Gas)
Company to Change its Infrastructure System)
Replacement Surcharge in its Missouri Gas)
Energy Service Territory.)
Case No. GO-2016-0332
Tariff No. YG-2017-0048

In the Matter of the Application of Laclede Gas)
Company to Change its Infrastructure System)
Replacement Surcharge in its Laclede Gas)
Service Territory.)
Case No. GO-2016-0333
Tariff No. YG-2017-0047

Staff's Position Statement

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and hereby tenders this *Position Statement* as directed by the Commission in its *Order Setting Procedural Schedule and Other Procedural Requirements* of December 15, 2016.

1. Whether it is lawful and appropriate to consider the Infrastructure System Replacement Surcharge (“ISRS”) adjustments proposed by OPC, since they were not filed until after the 60-day period provided for the Staff to file its report regarding the Staff’s examination.

STAFF’S POSITION: *No, it is not lawful to consider adjustments proposed for the first time more than 60 days after the ISRS change applications were filed. As Staff pointed out previously, OPC’s role in ISRS cases is necessarily analogous to and parallel with Staff’s role, a point made certain by the requirement that the company serve its application and supporting documentation on OPC at the same time it is filed with the Commission. § 393.1015.1(1), RSMo.*

2. May Laclede and MGE’s ISRS filings be updated during the ISRS case to replace two months of budgeted ISRS investments with updated actual ISRS investments?

STAFF’S POSITION: *Yes, as recent appellate decisions have made abundantly clear. See In the Matter of the Verified Application and Petition of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge, WD79349, op. Sept. 27, 2016; mandate, Dec. 21, 2016. The use of update*

procedures within the ISRS application process is acceptable under certain conditions, including those present in these particular ISRS applications.

3. A. Whether it is appropriate to consider whether earnings-based incentive compensation costs should be included in an ISRS.

STAFF'S POSITION: *No, the Commission is expressly barred from considering this revenue requirement issue by § 393.1015.2(2), "No other revenue requirement or ratemaking issues may be examined in consideration of the petition or associated proposed rate schedules filed pursuant to the provisions of sections 393.1009 to 393.1015."*

B. If the answer to 3A is yes, whether it is appropriate to include those earnings-based incentive compensation costs in Laclede's and MGE's ISRS plant-in-service balances?

STAFF'S POSITION: *Even if it were lawful for the Commission to consider this revenue requirement issue, Staff would oppose OPC's position because both the effort of identifying the amounts of incentive compensation to be removed from capitalized plant balances and the detailed audit required could not practicably be accomplished within the statutory time limitation.*

4. Whether it is appropriate to include "hydrostatic" testing costs in MGE's ISRS revenues.

STAFF'S POSITION: *Yes, it is appropriate to include "hydrostatic" testing costs in MGE's ISRS revenues because the effect of the testing is to extend the useful life of an existing infrastructure.*

5. Laclede's and MGE's strategy when replacing cast iron and steel mains and service lines is to also replace connected plastic mains and service lines at the same time. Can all costs associated with these replacements be recovered through the ISRS?

STAFF'S POSITION: *The costs associated with replacement of plastic mains and service lines incurred by Laclede and MGE are appropriately included for recovery in ISRS rates because they are integral components of the worn-out iron and steel facilities and it is not practicable to retain them in use.*

WHEREFORE, Staff pray that the Commission will accept *Staff's Position Statement.*

Respectfully submitted,

s/ Kevin A. Thompson

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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served by electronic mail on each of the parties listed in the Service List for this case maintained by the Commission's Data Center **on this 28th day of December, 2016.**

s/ Kevin A. Thompson