

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

In the Matter of the Verified Application and)
Petition of Laclede Gas Company to Change its) File No. GO-2014-0212
Infrastructure System Replacement Surcharge) Tariff File No. YG-2014-0302

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and for Staff’s recommendation in this matter respectfully states:

1. On January 17, 2014, Laclede Gas Company (“Laclede” or “Company”), filed its Verified Application and Petition (“Application”) to establish its Infrastructure System Replacement Surcharge (“ISRS”) pursuant to Sections 393.1009 to 393.1015 RSMo.

2. On February 11, 2014, the Commission issued an order directing Staff to file its recommendation in this matter no later than March 18, 2014, pursuant to Commission Rule 4 CSR 240-3.265(11), which provides that the Staff may submit a report regarding its examination of the Company’s application not later than sixty (60) days after the natural gas utility files its petition.

3. Pursuant to Section 393.1015.2(3), the Commission may hold a hearing on the petition and any associated rate schedules “and shall issue an order to become effective not later than one hundred twenty days after the petition is filed.”

4. This is Laclede’s first filing since its most recent rate case, GR-2013-0171, when previous Laclede ISRS rates were reset to zero. In this matter, Laclede is requesting recovery of eligible infrastructure replacement costs incurred during the

period of February 1, 2013 through December 31, 2013, with updates of pro-forma ISRS costs through February 28, 2014.

5. As explained in Staff's *Memorandum*, attached hereto as Attachment A and incorporated by reference, Staff's calculation of the ISRS revenue requirement includes accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacements through May 15, 2014, consistent with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the operation of law date in this matter, which is May 17, 2014.

6. In addition, Staff reconciled ISRS revenue Laclede collected from customers in prior ISRS surcharges and found that Laclede has over-collected ISRS revenues in the amount of \$10,864. Staff adjusted the revenue requirement in this proceeding to reflect this over-collection.

7. Based upon its review and all of its calculations, Staff recommends the Commission approve ISRS revenues in this matter in the amount of \$7,062,051. Staff recommends the Commission approve ISRS rates for each of Laclede's customer classes as shown in Staff's *Memorandum Attachment B*, attached hereto and incorporated by reference.

8. Staff verified that Laclede has filed its current annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

WHEREFORE, Staff respectfully submits its recommendation attached hereto as Attachment A, and its recommended ISRS rate for each customer class as reflected in Attachment B. Staff recommends the Commission issue an order that:

1. Rejects the ISRS tariff (YG-2014-0302) filed by Laclede on January 17, 2014;
2. Approves Staff's recommended ISRS incremental revenues of \$7,062,051 in this matter;
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B that generates \$7,062,051 annually.

Respectfully Submitted,

**STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION**

/s/ John D. Borgmeyer

John D. Borgmeyer
Deputy Legal Counsel
Missouri Bar No. 61992

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CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 18th day of March, 2014.

/s/ John D. Borgmeyer

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2014-0212, File No. YG-2014-0302, Laclede Gas Company

FROM: Erin Carle - Auditing
Joel McNutt - Energy - Tariffs / Rate Design

/s/ Lisa Hanneken 03/18/2014
Auditing Unit / Date

/s/ Tom Imhoff 03/18/2014
Energy Unit/Date

/s/ John Borgmeyer 03/18/2014
Staff Counsel's Office/Date

SUBJECT: Staff Report and Recommendation Regarding the Verified Application and Petition of Laclede Gas Company for Establishment of an Infrastructure System Replacement Surcharge for its Laclede Division.

DATE: March 18, 2014

BACKGROUND

On January 17, 2014, Laclede Gas Company (“Laclede” or “Company”) filed with the Missouri Public Service Commission (“Commission”) its “Verified Application and Petition of Laclede Gas Company for Establishment of an Infrastructure System Replacement Surcharge for its Laclede Division” (“Application”). Laclede’s Application is governed by sections 393.1009 to 393.1015, RSMo (2000)¹ and Commission Rule 4 CSR 240-3.265 (Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges), which allow Gas corporations, such as Laclede, to recover certain qualifying infrastructure system replacement costs outside of a formal rate case, through a surcharge on customers’ bills.

This case is Laclede’s first ISRS filing following its most recent rate case, Case No. GR-2013-0171. Laclede currently has in place infrastructure system replacement surcharges (“ISRS”) rates that cumulatively generate \$0 annually. Existing Laclede ISRS rates were reset to zero in Case No. GR-2013-0171.

In its application, Laclede requested an ISRS of \$7,402,628. Laclede proposed an effective date of February 17, 2014.

On January 21, 2014, the Commission issued its ORDER SUSPENDING TARIFF, DIRECTING NOTICE AND SETTING INTERVENTION DATE. This Order suspended the effective date of the tariff to May 17, 2014.

On February 11, 2014, the Commission issued ORDER GRANTING INTERVENTION AND DIRECTING FILING OF STAFF REPORT, requiring Staff to file its memo by March 18, 2014. This recommendation is in response to this Order.

STAFF REVIEW AND REVENUE CALCULATION

Laclede's filing in Case No. GO-2014-0212 represents its first ISRS filing since the conclusion of its most recent rate case, Case No. GR-2013-0171. Upon the July 8, 2013 effective date of rates that were ordered by the Commission in Case No. GR-2013-0171, all ISRS rate surcharge revenues formerly collected through the previous ISRS surcharge by Laclede (as authorized by the Commission in ISRS Case Nos. GO-2011-0058, GO-2011-0361, GO-2012-0145, GO-2012-0356, and GO-2013-0352) were reset to zero and became part of Laclede's permanent general retail rates. In this proceeding, Laclede filed to recover eligible infrastructure replacement costs incurred during the period of February 1, 2013 through December 31, 2013, with updates of pro forma ISRS costs through February 28, 2014.

The Auditing Unit Staff has reviewed Laclede's ISRS application and all supporting workpapers and calculations, responses to Staff's data requests, (including an audit sample of work orders), and conducted meetings with Laclede personnel to gain clarification and further information when necessary.

Laclede's original filing and updated data in this case contemplated accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacement costs through May 31, 2014. However, given that the May 31st date is beyond the operation of law date for this case Staff made an adjustment to only recognize these costs through May 15, 2014. This methodology is consistent with past reviews conducted by the Auditing Unit Staff, and is consistent with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the 120-day effective date of the ISRS rates, which in this case is May 17, 2014, but not exceed that date. Staff made adjustments to account for this date difference.

The ISRS rule 4 CSR 240-3.265 for Natural Gas Infrastructure System Replacement Surcharges sets forth the definitions of natural gas utility plant projects that are eligible for ISRS treatment. In order to determine the eligibility of the requested ISRS projects, Staff required additional information from Laclede Gas. This information was provided in a response to Staff Data Request No. 1 on February 24, 2014, as well as through an update on March 11, 2014. After reviewing these responses, Staff concluded that each of the projects met the ISRS rule qualifications.

Commission rule 4 CSR 240-3.265(17) requires that Staff reconcile the ISRS revenue Laclede collected from customers in the prior effective period to account for over- or under-collection of ISRS revenue. Therefore, Staff has performed a final reconciliation of the ISRS revenue previously collected by the Company to ensure that either the Company or its customers are

made whole for any under-collections or over-collections that may have occurred. Staff performed this reconciliation for the time period from January 7, 2011 through July 7, 2013, which is the period of time the prior ISRS cases (Case Nos. GO-2011-0058, GO-2011-0361, GO-2012-0145, GO-2012-0356, and GO-2013-0352) were in effect. Based upon this reconciliation, the Staff verified that Laclede has over-collected ISRS related revenues from its customers by an amount of \$10,864. This amount of over-collection has been reflected in an adjustment to Laclede's overall ISRS revenue requirement calculation in this proceeding. Based upon its review and all of its calculations, the Staff is recommending that Laclede receive ISRS revenues of \$7,062,051.

THE ISRS RATE SCHEDULE

Staff's proposed rates are consistent with the methodology used to establish Laclede's past ISRS rates and consistent with the overall methodology used to establish ISRS rates for other utilities. Staff's proposed ISRS rates are contained in Attachment B, attached hereto and incorporated by reference herein.

Staff has recalculated Laclede's filed rates using the customer count that is consistent with the most-current annual report on file. Also, Staff has recalculated Laclede's filed rates using the revised revenue requirement as described above.

Staff has verified that Laclede is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

RECOMMENDATION

Staff recommends that the Commission issue an order in this case that:

1. Rejects the ISRS tariff sheet (YG-2014-0056) filed by Laclede on June 27, 2013;
2. Approves the Staff's recommended ISRS incremental pre-tax revenues of \$7,062,051; and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B. Total ISRS rates are projected to produce \$7,062,051 annually and are consistent with the revised revenue requirement established in this case.

Laclede

Attachment B

CASE NO. GO-2014-0212

FILE NO. YG-2014-0302

Company's Total ISRS Revenues

\$7,062,051

ISRS RATE DESIGN

Customer Rate Class	Number of Customers	Customer Charges	Ratio To Res. Cust. Charge	Weighted Customer #	Customer Percentage	ISRS charge	ISRS Revenues
Residential	597,318	\$19.50	1.0000	597,318	88.2935%	\$0.87	\$6,235,331
C&I Class I	30,854	\$25.50	1.3077	40,348	5.9640%	\$1.14	\$421,183
C&I Class II	8,978	\$40.50	2.0769	18,647	2.7563%	\$1.81	\$194,650
C&I GS Class III	627	\$81.00	4.1538	2,604	0.3850%	\$3.61	\$27,188
Large Volume Service	78	\$800.00	41.0256	3,200	0.4730%	\$35.69	\$33,404
Interruptible	15	\$710.00	36.4103	546	0.0807%	\$31.67	\$5,701
General L.P. Gas Service	44	\$17.00	0.8718	38	0.0057%	\$0.76	\$400
Unmetered Gas Light	94	\$5.20	0.2667	25	0.0037%	\$0.23	\$262
Vehicular Fuel Rate	3	\$20.20	1.0359	3	0.0005%	\$0.90	\$32
Large Vol Trans & Sales	142	\$1,893.00	97.0769	13,785	2.0376%	\$84.45	\$143,899
TOTAL	<u><u>638,153</u></u>			<u><u>676,514</u></u>	<u><u>100.0000%</u></u>		<u><u>\$7,062,051</u></u>

* Due to rounding to the nearest penny, the designed ISRS rates will over collect by \$1,898. However, it should be noted that the total amount collected will be true-up at a later date.

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

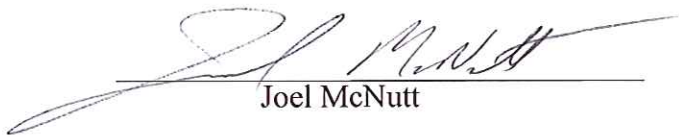
In the Matter of the Verified Application)
and Petition of Laclede Gas Company for)
Establishment of an Infrastructure System)
Replacement Surcharge for its Laclede)
Division)

Case No. GO-2014-0212

AFFIDAVIT OF JOEL MCNUTT

STATE OF MISSOURI)
)
COUNTY OF COLE) ss

Joel McNutt, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


Joel McNutt

Subscribed and sworn to before me this 17th day of March, 2014.

LAURA BLOCH
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914


Notary Public