

FILED

APR 29 2016

Exhibit No:
Issue: ISRS Updates
Witness: Glenn W. Buck Missouri Public Service Commission
Type of Exhibit: Direct Testimony
Sponsoring Party: Laclede Gas Company
Case Nos.: GO-2016-0196; GO-2016-0197
Date Prepared: April 18, 2016

LACLEDE GAS COMPANY

GO-2016-0196
GO-2016-0197

DIRECT TESTIMONY

OF

GLENN W. BUCK

April 2016

Laclede Exhibit No. 3
Date 4/26 Reporter RB
File No. GO-2016-0196
GO-2016-0197

DIRECT TESTIMONY OF GLENN W. BUCK

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- Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
- A. My name is Glenn W. Buck, and my business address is 700 Market St., St. Louis, Missouri, 63101.
- Q. WHAT IS YOUR PRESENT POSITION?**
- A. I am presently employed as Director, Regulatory and Finance, for Laclede Gas Company (“Laclede” or “Company”).
- Q. PLEASE STATE HOW LONG YOU HAVE HELD YOUR POSITION AND BRIEFLY DESCRIBE YOUR RESPONSIBILITIES.**
- A. I was appointed to my present position in April 2013. In this position, I am responsible for the financial aspects of rate matters generally, including financial analysis and planning, for Laclede and its two Missouri operating units, Laclede Gas and Missouri Gas Energy (“MGE”). I am also responsible for monitoring regulatory trends and developments in Missouri and various other jurisdictions.
- Q. WHAT WAS YOUR EXPERIENCE WITH THE COMPANY PRIOR TO BECOMING DIRECTOR, REGULATORY AND FINANCE?**
- A. I joined Laclede in August 1986, as a Budget Analyst in the Budget Department. I was promoted to Senior Budget Analyst in June 1988, and transferred to the Financial Planning Department in December 1988 as an Analyst. I was promoted to Senior Analyst in February 1990, Assistant Manager in February 1994, and Manager in January 1996. In March of 1999 I was promoted to Manager, Financial Services. I have been working on regulatory issues since 1988 and have worked on rates cases since preparing the accounting schedules in GR-90-120. Further, I was responsible for the preparation of

1 every one of the Laclede Gas operational unit's ISRS filings since the mechanism was
2 established in August of 2003.

3 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

4 A. I graduated from the University of Missouri - Columbia, in 1984, with a Bachelor of
5 Science degree in Business Administration.

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS**
7 **COMMISSION?**

8 A. Yes, I have, in Case Nos. GR-94-220, GR-96-193, GR-99-315, GT-2001-329, GR-2001-
9 629, GR-2002-356, GO-2004-0443, GR-2005-0284, GR-2007-0208, GT-2009-0026, ER-
10 2010-0036, GR-2010-0171, GC-2011-0006, GC-2011-0098, GO-2012-0363, GR-2013-
11 0171, GR-2014-0007, GO-2015-0178, and GO-2015-0179. In Laclede and MGE ISRS
12 cases filed last year, Case Nos. GO-2015-0341 and GO-2015-0343, I provided direct and
13 rebuttal testimony on the issue of updating ISRS filings by replacing pro-forma ISRS
14 costs with actual ISRS costs. Finally, I provided oral testimony before the Commission
15 regarding the Infrastructure System Replacement Surcharge ("ISRS") rulemaking in Case
16 No. AX-2004-0090.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose of my testimony is to testify in support of the accuracy and results of the
19 Staff Recommendation and Memorandum filed on April 1, 2016 in Case No. GO-2016-
20 0196 in response to the ISRS filing made by Laclede Gas. I am also testifying in support
21 of the accuracy and results of the Staff Recommendation and Memorandum filed on that
22 same date in Case No. GO-2016-0197 in response to the ISRS filing made by MGE. I
23 am also testifying to express the Company's concurrence in the Staff Recommendations

1 and Memoranda in both cases. Finally, I am sponsoring the Company's February 1
2 applications in both Case Nos. GO-2016-0196 and GO-2016-0197.

3 **Q. HAVE YOU HAD AN OPPORTUNITY TO REVIEW THE**
4 **RECOMMENDATIONS AND MEMORANDA FILED BY THE STAFF IN EACH**
5 **OF THESE CASES?**

6 A. Yes I have. I had an opportunity to closely examine each Recommendation,
7 Memorandum and any attachments. Copies of the materials I reviewed are attached
8 hereto as Schedule GWB-1 to my Direct Testimony, and incorporated herein for all
9 purposes.

10 **Q. WHAT DID YOU CONCLUDE FROM YOUR REVIEW?**

11 A. Based on my review of the Staff Recommendation and Memorandum in each case, I
12 agree that Staff has accurately determined the ISRS-eligible costs that Laclede Gas and
13 MGE are entitled to recover through their respective ISRS charges pursuant to the ISRS
14 statute and the Commission's ISRS rules. I also agree that Staff has accurately calculated
15 the ISRS charges for each customer class as reflected in the attachment to Staff's
16 Memoranda.

17 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

18 A. Yes.

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

In the Matter of the Application of Laclede)
Gas Company to Change its Infrastructure) File No. GO-2016-0196
System Replacement Surcharge in its)
Laclede Gas Service Territory)

In The Matter of the Application of Laclede)
Gas Company to Change its Infrastructure) File No. GO-2016-0197
System Replacement Surcharge in its)
Missouri Gas Energy Service Territory)

A F F I D A V I T

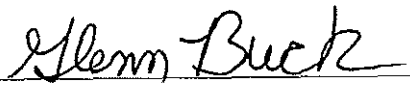
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Glenn W. Buck, of lawful age, being first duly sworn, deposes and states:

1. My name is Glenn W. Buck. My business address is 700 Market Street, St. Louis, MO 63101 and I am the Director, Regulatory and Finance for Laclede Gas Company.

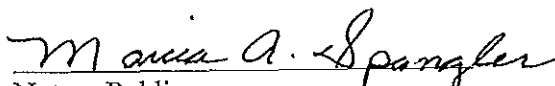
2. Attached hereto and made a part hereof for all purposes is my direct testimony on behalf of Laclede Gas Company.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

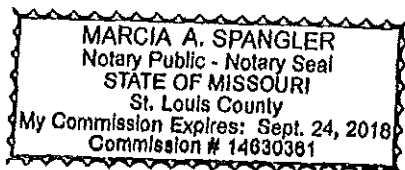


Glenn W. Buck

Subscribed and sworn to before me this 18 day of April, 2016.



Notary Public



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

In the Matter of the Application of)	
Laclede Gas Company to Change its)	<u>Case No. GO-2016-0196</u>
Infrastructure System Replacement)	Tariff No. YG-2016-0193
Surcharge in its Laclede Gas Service)	
Territory)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, and in response to the Commission's February 3, 2016, *Order Directing Notice, Directing Filings and Setting Intervention Deadline* ("Order") submits its *Staff Recommendation* to the Commission as set forth in detail in the attached appendices, and in support thereof respectfully states as follows:

1. On February 1, 2016, Laclede Gas Company ("Laclede" or "Company") filed its *Verified Application and Petition of Laclede Gas Company to Change Its Infrastructure System Replacement Surcharge in Its Laclede Gas Service Territory and Request for Waiver of Commission Rule 4.020(2)* (the "Application") pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and Commission Rule 4 CSR 240-3.265¹ which authorize gas corporations to recover certain eligible infrastructure replacement costs through an infrastructure system replacement surcharge ("ISRS").

2. In the Order the Commission ordered Staff to file its recommendation regarding Laclede's Application no later than April 1, 2016. Staff's recommendation is

¹ Laclede's Application also referenced Commission Rules 4 CSR 240-2.060, 2.080 and 4.020(2)(B).

attached hereto as Appendix A and Appendix B, both of which are incorporated herein by reference.

3. This case represents Laclede's fifth ISRS filing since the conclusion of its most recent general rate case, Case No. GR-2013-0171. In its current Application, Laclede filed to recover ISRS qualifying infrastructure replacement costs incurred during the period September 1, 2015 through December 31, 2015, with pro-forma ISRS costs updated through February 29, 2016.

4. As part of Staff's examination of Laclede's Application, Auditing Staff reviewed supporting work papers, a representative sample of work orders, and other applicable documentation, as well as communicating with Laclede personnel to gain clarification of Laclede's Application when necessary.

5. Based upon its review and all of its calculations (including the reconciliation required pursuant to 4 CSR 240-3.265(17)), Staff is recommending that Laclede receive ISRS revenues for this case of \$5,389,900. Due to the previously approved ISRS rates for Laclede which continue in effect, the total ISRS revenue requirement to be included in rates (including Staff's recommended amount for this case) is \$25,022,756.

6. Staff has developed proposed ISRS rates for Laclede based on Staff's recommended revenue requirement for this case described above. Staff's proposed rates are consistent with the methodology used to establish Laclede's past ISRS rates and are consistent with the overall methodology used to establish ISRS rates for other gas utilities. Staff's proposed ISRS rates are contained in Appendix B, attached hereto and incorporated by reference herein.

7. The effective date of rates in Laclede's ISRS Case No. GO-2015-0269 was May 22, 2015. Since that date, Laclede has changed its ISRS surcharge one additional time, in Case No. GO-2015-0341. Section 393.1015.3, RSMo, provides that "A gas corporation may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every twelve months." Based upon Laclede's previous ISRS history and this statute, Staff recommends that the tariffs resulting from this ISRS filing should not go into effect any earlier than May 23, 2016.

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

1. Rejects the Laclede ISRS tariff sheet (YG-2016-0193) P.S.C. MO No. 5 Consolidated, Twenty-Sixth Revised Sheet No. 12 cancelling P.S.C. MO No. 5 Consolidated, Twenty-Fifth Revised Sheet No. 12, as filed by Laclede on February 1, 2016;

2. Approves the Staff's recommended ISRS surcharge revenues in this case in the incremental pre-tax revenue amount of \$5,389,900, with a total current and cumulative ISRS amount of \$25,022,756;

3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Appendix B; and

4. Authorizes an effective date no earlier than May 23, 2016.

Respectfully submitted,

/s/ Jeffrey A. Keevil

Jeffrey A. Keevil

Deputy Counsel

Missouri Bar No. 33825

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 526-4887 (Telephone)

(573) 751-9285 (Fax)

Email: jeff.keevil@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record this 1st day of April, 2016.

/s/ Jeffrey A. Keevil

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2016-0196, Tariff Tracking No. YG-2016-0193
Laclede Gas Company

FROM: Brian Wells, Regulatory Auditor, Auditing Department
Michael J. Ensrud, Rate & Tariff Examiner II, Procurement Analysis

/s/ Mark L. Oligschlaeger 03/31/16
Auditing Department / Date

/s/ David M. Sommerer 03/31/16
Commission Staff Division / Date

/s/ Jeffrey A. Keevil 03/31/16
Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation Regarding the Verified Application and Petition of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge in its Laclede Gas Service Territory and Request for Waiver of Commission Rule 4.020(2)

DATE: March 31, 2016

BACKGROUND

On February 1, 2016, Laclede Gas Company ("Laclede" or "Company") filed the "Verified Application and Petition of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge in its Laclede Gas Service Territory and Request for Waiver of Commission Rule 4.020(2)" with the Missouri Public Service Commission ("Commission"). The Application proposes to increase Laclede's Infrastructure System Replacement Surcharge (ISRS) rates and implement a revised Tariff Sheet with a proposed effective date of March 2, 2016. It also sought waiver of the 60-day notice requirement.

Laclede made its filing pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and Commission Rules 4 CSR 240-2.060, 2.080, and 3.265, which allow Missouri natural gas corporations to file a petition and proposed rate schedule with the Commission to recover certain infrastructure system replacement costs outside a formal rate case, through a surcharge on customers' bills. Laclede also requested a waiver of Commission Rule 4.020(2) – the 60-day notice requirement.

Laclede asserts that it has continued to incur costs related to ISRS-eligible infrastructure system replacements since the Commission's last decision in Case No. GO-2015-0341 and submitted its Application to reflect ISRS investments for the period from September 1, 2015 through December 31, 2015, with pro-forma ISRS costs updated through February 29, 2016.

Appendix A

Laclede estimated in its Application that it was entitled to an incremental increase of ISRS revenues in this case of \$5,039,018. On March 9, 2016, Laclede updated the amount of revenue requirement being sought. Laclede's incremental revenue requirement increased to \$5,389,900.

On February 3, 2016, the Commission issued an "Order Directing Notice, Directing Filings and Setting Intervention Deadline." That Order set the following dates:

- Staff's Recommendation shall be filed no later than April 1, 2016
- Suspension of the tariff sheet until May 31, 2016

On March 2, 2016, the Commission issued an "Order Granting Request For Waiver" in response to Laclede's request for waiver of 4 CSR 240-4.020(2).

There is a potential issue with the effective date of this filing. Section 393.1015.3, RSMo, provides as follows:

A gas corporation may effectuate a change in its rate pursuant to the provisions of this section **no more often than two times every twelve months.** (Emphasis added)

Laclede was granted authority to implement Twenty-Fourth Revised Sheet No. 12,¹ effective May 22, 2015. Laclede was granted authority to implement Twenty-Fifth Revised Sheet No. 12,² effective December 1, 2015. Therefore, the pending filing cannot go into effect any sooner than May 23rd.

STAFF REVIEW AND REVENUE CALCULATION

Laclede's filing in Case No. GO-2016-0196 represents its fifth Infrastructure System Replacement Surcharge (ISRS) filing since the conclusion of its most recent general rate case, Case No. GR-2013-0171. Since that case, Laclede filed ISRS Case Nos. GO-2014-0212, GR-2015-0026, GO-2015-0269, and GO-2015-0341, which are all currently included in Laclede's ISRS rates.

In this Application, Laclede filed to recover ISRS qualifying infrastructure replacement costs incurred during the period of September 1, 2015 through February 29, 2016. As part of its examination of Laclede's Application, Auditing Staff reviewed workpapers, a representative sample of work orders, and other applicable documentation. On February 12, 2016,

¹ GO-2015-0269.

² GO-2015-0341.

Laclede provided Staff with a sample of work orders related to costs incurred between September 1, 2015 and December 31, 2015. Laclede provided a sample of work orders related to costs incurred between January 1, 2016 and February 29, 2016, on March 9, 2016. Staff also communicated with Laclede personnel to clarify Laclede's Application when necessary.

Commission 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. As a result of its review, Staff concluded that each of the projects Staff reviewed met the ISRS rule qualifications.

The methodology used by the Auditing Staff allows for consideration of all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacements costs through April 15, 2016. This methodology is consistent with past reviews conducted by the Auditing Staff, and it is consistent with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the effective date of the ISRS rates.

The Auditing Staff also included incremental accumulated depreciation, accumulated deferred income tax, and any change in property tax rates for replacements associated with the currently effective ISRS authorized for Laclede in Case Nos. GO-2014-0212, GR-2015-0026, GO-2015-0269, and GO-2015-0341, as required by 4 CSR 240-3.265(20)(K).

STAFF RECONCILIATION

Commission Rule 4 CSR 240-3.265(17) requires a reconciliation of the ISRS revenue Laclede collected from customers in the prior 12-month period to account for over or under-collection of ISRS revenue. Staff performed this reconciliation and found that it resulted in an amount of under-collected ISRS revenue which was identical to that which Laclede calculated and included in its requested increase in ISRS revenue. Because Staff's and Laclede's reconciliations were identical, Staff recommends that Laclede's under-collected revenue amount of \$729,714 be included in ISRS rates resulting from this case.

Based upon its review and all of its calculations, Staff is recommending that Laclede receive ISRS revenues of \$5,389,900. This is the same as Laclede's requested ISRS-related revenue requirement, as updated on March 9, 2016.

Upon Commission approval, this amount will be included with the currently-in-effect ISRS (Case Nos. GO-2014-0212, GR-2015-0026, GO-2015-0269, and GO-2015-0341). The below table shows the cumulative amount to be included in rates:

ISRS Case No.	Revenue Requirement	Cumulative
GO-2014-0212	\$7,018,225	
GR-2015-0026	\$2,780,045	\$9,798,270
GO-2015-0269	\$5,378,541	\$15,176,811
GO-2015-0341	\$4,456,045	\$19,632,856
GO-2016-0196	\$5,389,900	\$25,022,756

The Laclede tariffs filed with this Application have been suspended until May 31. Laclede's ISRS case No. GO-2015-0269 was filed in April of 2015; the effective date of rates in that case was May, 22 2015. Since that date, but before filing the current ISRS case, Laclede has had one other ISRS case—GO-2015-0341. The statute, 393.1015.3 RSMo, states that "A gas corporation may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every twelve months." Based upon Laclede's previous ISRS filing history and this statute, the Staff recommends that the tariffs resulting from this ISRS filing should not go into effect any earlier than May 23, 2016.

THE ISRS RATE SCHEDULES

Staff's recommended 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 gas utilities. Staff's recommended ISRS rates are contained in Appendix B, attached hereto and incorporated by reference.

Staff has verified that Laclede has filed its 2014 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, other than Laclede's last ISRS case which is currently on appeal.

RECOMMENDATION

Based upon the rationale stated above, Staff recommends the Commission issue an order in this case that:

1. Rejects Laclede's ISRS tariff sheet (YG-2016-0193) P.S.C. MO No. 5 Consolidated, Twenty-Sixth Revised Sheet No. 12 cancelling P.S.C. MO. No. 5 Consolidated, Twenty-Fifth-Sheet No. 12, as filed on February 1, 2016;

OFFICIAL CASE FILE MEMORANDUM

MO PSC Case No. GO-2016-0196, Tariff No. YG-2016-0193

March 31, 2016

Page 5 of 5

2. Approves the Staff's recommended ISRS surcharge revenues in this docket in the incremental pre-tax revenue amount of \$5,389,900 with a total current and cumulative ISRS surcharge of \$25,022,756;
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$25,022,756 annually; and,
4. Authorizes an effective date no sooner than May 23, 2016.

LACLEDE GAS COMPANY
ISRS RATE DESIGN

CASE NO. GO-2016-0196

TARIFF NO. YG-2016-0193

Staff's Total ISRS Rev Req \$25,022,756

Customer Rate	Number of Customers	Customer Charge	Ratio To Residential Customer Charge	Weighted Customer Nos.	Customer Percentage	Proposed ISRS Charge	Proposed ISRS Revenues
Residential	606,244	\$19.50	1.0000	606,244	87.92%	\$3.02	\$22,000,758
Com & Ind. Class 1	30,943	\$25.50	1.3077	40,464	5.87%	\$3.95	\$1,468,447
Com & Ind. Class 2	8,961	\$44.29	2.2713	20,353	2.95%	\$6.87	\$738,614
Com & Ind. Class 3	600	\$88.57	4.5421	2,725	0.40%	\$13.74	\$98,899
Large Volume	72	\$874.78	44.8605	3,230	0.47%	\$135.67	\$117,216
Interruptible	18	\$776.36	39.8133	717	0.10%	\$120.40	\$26,007
Transportation	148	\$2,069.94	106.1508	15,710	2.28%	\$321.02	\$570,132
Transportation - Other	0	\$1,707.94	87.5867	0	0.00%	\$0.00	\$0
Gas Light	87	\$5.69	0.2918	25	0.00%	\$0.88	\$921
Vehicular Fuel	9	\$22.09	1.1328	10	0.00%	\$3.43	\$370
Liquid Propane	44	\$17.00	0.8718	38	0.01%	\$2.64	\$1,392
	<u>647,126</u>			<u>689,517</u>	<u>100.00%</u>		<u>\$25,022,756</u>

* Due to rounding to the nearest penny, the designed ISRS rates will under-collect by \$ 32,063. However, it should be noted that the total amount collected will true-up at a later date.

Appendix B

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

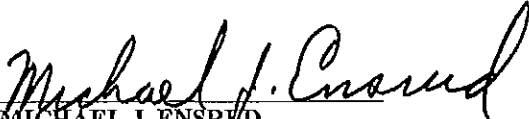
In the Matter of the Application of Laclede)
Gas Company to Change its Infrastructure) Case No. GO-2016-0196
System Replacement Surcharge in its)
Laclede Gas Service Territory)

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

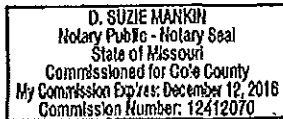
COMES NOW MICHAEL J. ENSRUD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

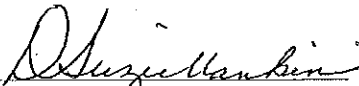
Further the Affiant sayeth not.


MICHAEL J. ENSRUD

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of March, 2016.




Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Laclede)
Gas Company to Change its Infrastructure) Case No. GO-2016-0196
System Replacement Surcharge in its)
Laclede Gas Service Territory)

AFFIDAVIT OF BRIAN WELLS

STATE OF MISSOURI)
) ss.
CITY OF ST. LOUIS)

COMES NOW BRIAN WELLS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

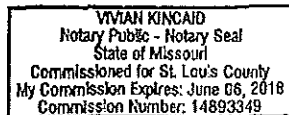
Further the Affiant sayeth not.

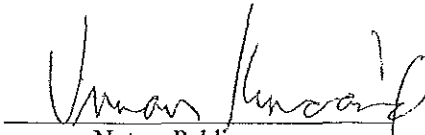


BRIAN WELLS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the City of St. Louis, State of Missouri, at my office in St. Louis, on this 31st day of March, 2016.





Notary Public

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

In the Matter of the Application of)	
Laclede Gas Company to Change its)	<u>Case No. GO-2016-0197</u>
Infrastructure System Replacement)	Tariff No. YG-2016-0194
Surcharge in its Missouri Gas Energy)	
Service Territory)	

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, and in response to the Commission's February 3, 2016, *Order Directing Notice, Directing Filings and Setting Intervention Deadline* ("Order") submits its *Staff Recommendation* to the Commission as set forth in detail in the attached appendices, and in support thereof respectfully states as follows:

1. On February 1, 2016, Missouri Gas Energy ("MGE" or "Company"), an operating unit of Laclede Gas Company ("Laclede"), filed its *Verified Application and Petition of Missouri Gas Energy, an Operating Unit of Laclede Gas Company, to Change Its Infrastructure System Replacement Surcharge in Its Missouri Gas Energy Service Territory and Request for Waiver of Commission Rule 4.020(2)* (the "Application") pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and Commission Rule 4 CSR 240-3.265¹ which authorize gas corporations to recover certain eligible infrastructure replacement costs through an infrastructure system replacement surcharge ("ISRS").

2. In the Order the Commission ordered Staff to file its recommendation regarding MGE's Application no later than April 1, 2016. Staff's recommendation is

¹ MGE's Application also referenced Commission Rules 4 CSR 240-2.060, 2.080 and 4.020(2).

attached hereto as Appendix A and Appendix B, both of which are incorporated herein by reference.

3. This case represents MGE's fourth ISRS filing since the conclusion of its most recent general rate case, Case No. GR-2014-0007. In its current Application, MGE filed to recover ISRS qualifying infrastructure replacement costs incurred during the period September 1, 2015 through December 31, 2015, with pro-forma ISRS costs updated through February 29, 2016.

4. As part of Staff's examination of MGE's Application, Auditing Staff reviewed supporting work papers, a representative sample of work orders, and other applicable documentation, as well as communicating with MGE personnel to gain clarification of MGE's Application when necessary.

5. Based upon its review and all of its calculations (including the reconciliation required pursuant to 4 CSR 240-3.265(17)), Staff is recommending that MGE receive ISRS revenues for this case of \$3,570,050. Due to the previously approved ISRS rates for MGE which continue in effect, the total ISRS revenue requirement to be included in rates (including Staff's recommended amount for this case) is \$10,253,423.

6. Staff has developed proposed ISRS rates for MGE based on Staff's recommended revenue requirement for this case described above. Staff's proposed rates are consistent with the methodology used to establish MGE's past ISRS rates and are consistent with the overall methodology used to establish ISRS rates for other gas utilities. Staff's proposed ISRS rates are contained in Appendix B, attached hereto and incorporated by reference herein.

7. The effective date of rates in MGE's ISRS Case No. GO-2015-0270 was May 22, 2015. Since that date, MGE has changed its ISRS surcharge one additional time, in Case No. GO-2015-0343. Section 393.1015.3, RSMo, provides that "A gas corporation may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every twelve months." Based upon MGE's previous ISRS history and this statute, Staff recommends that the tariff resulting from this ISRS filing should not go into effect any earlier than May 23, 2016.

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

1. Rejects the MGE ISRS tariff sheet (YG-2016-0194) P.S.C. MO No. 6, Sixth Revised Sheet No. 10 cancelling P.S.C. MO No. 6, Fifth Revised Sheet No. 10, as filed on February 1, 2016;
2. Approves the Staff's recommended ISRS surcharge revenues in this case in the incremental pre-tax revenue amount of \$3,570,050, with a total current and cumulative ISRS amount of \$10,253,423;
3. Authorizes MGE to file an ISRS rate for each customer class as reflected in Appendix B; and
4. Authorizes an effective date no earlier than May 23, 2016.

Respectfully submitted,

/s/ Jeffrey A. Keevil

Jeffrey A. Keevil

Deputy Counsel

Missouri Bar No. 33825

Attorney for the Staff of the

Missouri Public Service Commission

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to counsel of record this 1st day of April, 2016.

/s/ Jeffrey A. Keevil

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2016-0197, Tariff Tracking No. YG-2016-0194
Missouri Gas Energy

FROM: Jennifer K. Grisham, Regulatory Auditor, Auditing Department
Michael J. Ensrud, Rate & Tariff Examiner II, Procurement Analysis

/s/ Mark L. Oligschlaeger 03/31/16
Auditing Department / Date

/s/ David M. Sommerer 03/31/16 /s/ Jeffrey A. Keevil 03/31/16
Commission Staff Division / Date Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation Regarding Verified Application and Petition of Missouri Gas Energy, an Operating Unit of Laclede Gas Company, to Change its Infrastructure System Replacement Surcharge in its Missouri Gas Energy Service Territory and Request for Waiver of Commission Rule 4.020(2)

DATE: March 31, 2016

BACKGROUND

On February 1, 2016, Missouri Gas Energy (“MGE” or “Company”), an operating unit of Laclede Gas Company, filed the “Verified Application and Petition of Missouri Gas Energy, an Operating Unit of Laclede Gas Company, to Change its Infrastructure System Replacement Surcharge in its Missouri Gas Energy Service Territory and Request for Waiver of Commission Rule 4.020(2)” with the Missouri Public Service Commission (“Commission”). The Application proposes to increase MGE’s Infrastructure System Replacement Surcharge (ISRS) rates and implement a revised Tariff Sheet with a proposed effective date of March 2, 2016. It also seeks waiver of the 60-day notice requirement.

MGE made its filing pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri and Commission Rules 4 CSR 240-2.060, 2.080, and 3.265, which allow Missouri natural gas corporations to file a petition and proposed rate schedule with the Commission to recover certain infrastructure system replacement costs outside a formal rate case, through a surcharge on customers’ bills. MGE also requested a waiver of Commission Rule 4.020(2) – the 60-day notice requirement.

MGE asserts that it has continued to incur costs related to ISRS-eligible infrastructure system replacements since the Commission’s last decision in Case No. GO-2015-0343 and submitted its Application to reflect ISRS investments for the period from September 1, 2015 through

Appendix A

December 31, 2015, with pro-forma ISRS costs updated through February 29, 2016. MGE estimated in its Application that it was entitled to an incremental increase of ISRS revenues in this case of \$3,597,838.

On March 9, 2016, MGE updated the amount of revenue requirement being sought. MGE's incremental revenue requirement reduced to \$3,570,050.

On February 3, 2016, the Commission issued an "Order Directing Notice, Directing Filings And Setting Intervention Deadline." That Order set the following dates:

- Staff's Recommendation shall be filed no later than April 1, 2016
- Suspension of the tariff sheet until May 31, 2016

On March 2, 2016, the Commission issued an "Order Granting Request For Waiver" in response to MGE's request for waiver of 4 CSR 240-4.020(2).

There is a potential issue with the effective date of this filing. Section 393.1015.3, RSMo, provides as follows:

A gas corporation may effectuate a change in its rate pursuant to the provisions of this section **no more often than two times every twelve months.** (Emphasis added)

MGE was granted authority to implement Fourth Revised Sheet No. 10,¹ Effective May 22, 2015. MGE was granted authority to implement Fifth Revised Sheet No. 10,² effective December 1, 2015. Therefore, the pending filing cannot go into effect any sooner than May 23rd.

STAFF REVIEW AND REVENUE CALCULATIONS

MGE's filing in Case No. GO-2016-0197 represents its fourth ISRS filing since the Company's most recent general rate case, Case No. GR-2014-0007. The results of the following subsequent ISRS cases are currently included in MGE's ISRS rates: Case Nos. GR-2015-0025, GO-2015-0270, and GO-2015-0343.

Section 393.1015.3, RSMo, states, "A gas corporation may effectuate a change in its rate pursuant to the provisions of this section no more often than two times every twelve months." The MGE tariffs filed with this Application have been suspended until May 31, 2016. In case

¹ GO-2015-0270.

² GO-2015-0343.

No. GO-2015-0270, which was filed in April of 2015, the effective date for MGE's revised ISRS rates was May 22, 2015. Since that date, MGE has changed its ISRS surcharge one additional time, in Case No. GO-2015-0343. Based upon MGE's previous ISRS filings and the statute, Staff recommends the tariff for this ISRS filing should not go into effect prior to May 23, 2016.

In this Application, MGE filed to recover ISRS qualifying infrastructure replacement costs incurred during the period of September 1, 2015 through February 29, 2016. As part of its examination of MGE's application, Auditing Staff reviewed supporting workpapers, a representative sample of work orders, and other applicable documentation. On February 2, 2016, MGE provided Staff with a sample of work orders related to costs incurred between September 1, 2015 and December 31, 2015. A sample of work orders for January 2016 was provided by MGE on February 9, 2016, and a sample of the February 2016 work orders was provided to Staff on March 9, 2016. Staff also communicated with MGE personnel to clarify MGE's application when necessary.

Commission 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. Staff concluded each of the projects reviewed meets the ISRS rule qualifications.

The methodology used by the Auditing Staff allows for consideration of all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacement costs through April 15, 2016. This methodology is consistent with past reviews conducted by Auditing Staff and with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the effective date of the ISRS rates.

Auditing staff also included incremental accumulated depreciation, accumulated deferred income tax, and any change in property tax rates for replacements associated with the currently effective ISRS authorized for MGE in Case Nos. GR-2015-0025, GO-2015-0270, and GO-2015-0343, as required by 4 CSR 240-3.265(20)(K).

STAFF RECONCILIATION

Commission Rule 4 CSR 240-3.265(17) requires a reconciliation of the ISRS revenue MGE collected from customers in the prior 12-month period to account for over or under-collection of ISRS revenue. Staff performed this reconciliation and found MGE under-collected ISRS revenue by \$323,568, which is identical to the amount of under-collection calculated by MGE. As a result of the reconciliation, Staff recommends including this amount of under-collected ISRS revenue in MGE's ISRS rates.

Based upon its review and calculations, Staff recommends MGE receive ISRS revenues of \$3,570,050. Upon Commission approval, this amount will be included with ISRS rates currently in effect from Case Nos. GR-2015-0025, GO-2015-0270, and GO-2015-0343. The following table shows the cumulative amount to be included in rates:

ISRS Case No.	Revenue Requirement	Cumulative
GR-2015-0025	\$1,990,296	
GO-2015-0270	\$2,814,926	\$4,805,222
GO-2015-0343	\$1,878,151	\$6,683,373
GO-2016-0197	\$3,570,050	\$10,253,423

THE ISRS RATE SCHEDULES

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

Staff has verified that MGE has filed its 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, other than MGE's last ISRS case which is currently on appeal.

RECOMMENDATION

Based upon the rationale stated above, Staff recommends the Commission issue an order in this case that:

1. Rejects MGE's ISRS tariff sheet (YG-2016-0194) P.S.C MO No. 6 Sixth Revised Sheet No. 10 cancelling P.S.C. MO No. 6 Fifth Revised Sheet No. 10 filed February 1, 2016;
2. Approves the Staff's recommended ISRS surcharge revenues in this docket in the incremental pre-tax revenue amount of \$3,570,050;
3. Authorizes MGE to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$10,253,423 annually; and,
4. Authorizes an effective date no sooner than May 23, 2016.

Missouri Gas Energy (MGE)
 ISRS Rate Design
 Total ISRS Revenues

CASE NO. GO-2016-0197

TARIFF NO. YG-2016-0194

Total Revenue Requirement **\$ 10,253,423**

Customer Rate Class	Number of Customers	Customer Charge	Ratio to Residential Customer Charge	Weighted Customer Nos.	Customer Percentage	Proposed ISRS Charge	Proposed ISRS Revenues
Residential	441101	\$ 23.00	1	441101	78.1045%	\$ 1.51	\$ 8,008,389
Small General Service	60339	\$ 34.00	1.478261	89196.78261	15.7938%	\$ 2.24	\$ 1,619,408
Large General Service	3082	\$ 115.40	5.017391	15463.6	2.7381%	\$ 7.59	\$ 280,749
Large Volume	483	\$ 904.56	39.328696	18995.76	3.3635%	\$ 59.50	\$ 344,877
	<u>505,005</u>			<u>564757.1426</u>			<u>\$ 10,253,423</u>

*Due to rounding to the nearest penny, the designed ISRS rates will over-collect by \$13,149. However, it should be noted that the total amount will true-up at a later date.

Appendix B

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Laclede)
 Gas Company to Change its Infrastructure) Case No. GO-2016-0197
 System Replacement Surcharge in its)
 Missouri Gas Energy Service Territory)

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) ss.
 COUNTY OF COLE)

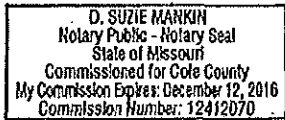
COMES NOW MICHAEL J. ENSRUD and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

Michael J. Ensrud
 MICHAEL J. ENSRUD

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of March, 2016.



D. Suzie Mankin
 Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

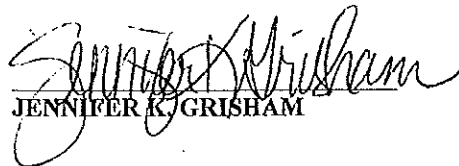
In the Matter of the Application of Laclede)
 Gas Company to Change its Infrastructure) Case No. GO-2016-0197
 System Replacement Surcharge in its)
 Missouri Gas Energy Service Territory)

AFFIDAVIT OF JENNIFER K. GRISHAM

STATE OF MISSOURI)
) ss.
 COUNTY OF COLE)

COMES NOW JENNIFER K. GRISHAM and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Staff Recommendation in Memorandum form; and that the same is true and correct according to her best knowledge and belief.

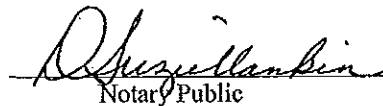
Further the Affiant sayeth not.


 JENNIFER K. GRISHAM

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 31st day of March, 2016.

<p>D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2018 Commission Number: 12412070</p>
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 Notary Public