

**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)	<u>File No. GO-2015-0269</u>
Infrastructure System Replacement Surcharge)	Tariff No. YG-2015-0305
in Its Laclede Gas Service Territory)	

STAFF RECOMMENDATION TO APPROVE TARIFF SHEETS

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

1. On April 17, 2015, Laclede Gas Company (“Laclede” or “Company”) filed this application to change its Infrastructure System Replacement Surcharge (ISRS), along with a motion for expedited treatment. Laclede filed this application pursuant to the *Joint Notice of Voluntary Dismissal Without Prejudice* submitted in two recent ISRS applications, GO-2015-0178 and GO-2015-0179. Laclede and MGE voluntarily dismissed those ISRS petitions and re-filed them as GO-2015-0269 and GO-2015-0270, respectively, in order to resolve a dispute with the Office of the Public Counsel over certain items.

2. On April 20, the Commission provided notice of the application and directed Laclede to file sample customer notices as required by the ISRS statute and Commission Rule 4 CSR 240-3.265. The Commission set a deadline for intervention and ordered Staff to file its recommendation in this matter no later than June 16, 2015.

3. In the *Joint Notice of Voluntary Dismissal*, Staff agreed that it should be able to submit its recommendations regarding the re-filed applications within two weeks. Accordingly, Staff hereby submits its recommendation, attached here as Appendix A, in advance of the Commission’s ordered deadline.

4. Staff's recommendation explains its review and reconciliation of Laclede's ISRS. Staff's calculations are shown in Appendix B, also attached here and incorporated by reference. Appendix B shows Staff's recommended ISRS revenue in this case of \$5,524,406, for a total cumulative ISRS revenue requirement of \$15,322,676.

5. Staff verified that Laclede has filed its annual report, and that the Company 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.

6. Laclede requested expedited treatment based on the fact that its filing contains information that has been available for longer than the typical ISRS filing, due to the dismissal and refiling. Staff does not object to Laclede's request for expedited treatment.

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

(1) Rejects Laclede's ISRS tariff sheet revised Tariff Sheet P.S.C. MO No. 5 Consolidated, Twenty-Fourth Revised Sheet No. 12 cancelling P.S.C. MO. No. 5 Consolidated, Twenty-Third Revised Sheet No. 12, filed April 17, 2015;

(2) Approves the Staff's recommended ISRS surcharge revenues in this docket in the incremental amount of annual pre-tax revenues of \$5,524,406 with a total current and cumulative ISRS surcharge of \$15,322,676; and

(3) Authorizes Laclede to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$15,322,676 annually.

Respectfully Submitted,

/s/ John D. Borgmeyer

John D. Borgmeyer
Deputy Staff Counsel
Missouri Bar No. 61992
Attorney for the Staff of the
Missouri Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102
Telephone: (573) 751-5472
Fax: (573) 751-9285
Email: john.borgmeyer@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing were served electronically to all counsel of record this 1st day of May, 2015.

/s/ John D. Borgmeyer

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2015-0269, Tariff Tracking No. YG-2015-0305 – Laclede Gas
Company

FROM: Lisa Hanneken, Auditing Department
Jason Kunst, Auditing Department
Kim Cox, Tariffs/Rate Design - Energy
Thomas M. Imhoff, Tariffs/Rate Design – Energy

/s/Thomas M. Imhoff 05/01/15
Project Coordinator / Date

/s/John Borgmeyer 05/01/15
Staff Counsel's Office / Date

SUBJECT: Staff Report and Recommendation Regarding the Application and
Petition of Laclede Gas Company Seeking the Missouri Public Service
Commission's Approval to Increase Its Infrastructure System Replacement
Surcharge

DATE: May 1, 2015

BACKGROUND

On April 17, 2015, Laclede Gas Company (“Laclede” or “Company”) filed an Application and Petition (“Application”) with the Missouri Public Service Commission (“Commission”) to change its Infrastructure System Replacement Surcharge (ISRS) in its Laclede Gas Service Territory and a Motion for Expedited Treatment.

This application is a re-filing of Laclede’s ISRS application filed on January 30, 2015, in File No. GO-2015-0178. The January application was for cost incurred from September 1, 2014 to December 31, 2014. An update of cost incurred January and February 2015 was also provided.

On March 19, 2015, the Office of Public Counsel (“OPC”) filed a Motion to Reject Tariff or Set This Matter for Hearing. OPC objected to ISRS investments incurred by Laclede during January and February 2015 that were not included in the January 30, 2015 filing and to certain telemetric equipment replacement cost

On March 31, 2015, the Staff filed its Recommendation. Staff did not recommend any adjustments to Laclede’s updated application.

On April 15, 2015 the parties filed a Joint Notice of Voluntary Dismissal Without Prejudice to resolve OPC’s Motion. The parties agreed that the new application would include the details of January and February 2015 ISRS-eligible investments and exclude cost relating to telemetric equipment replacement. Under the terms of the Joint Notice, the parties also agreed that Staff should be in a position to file its recommendation within 2 weeks of the re-filing of Laclede’s Application. On April 16, 2015 the Commission issued “Notice of Dismissals and Order Cancelling Joint Evidentiary Hearing.”

Laclede made its filing pursuant to Missouri Revised Statutes Sections 393.1009 through 393.1015, RSMo Cum. Supp. 2011 and Commission Rule 4 CSR 240-3.265, 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 asserts that it has continued to incur costs related to ISRS-eligible infrastructure system replacements. For the period from September 1, 2014 through February 28, 2015, Laclede claims those costs entitle Laclede to \$5,524,406 (per Laclede's April 17, 2015 Application).

The Commission issued an "Order Directing Notice, Directing Filings And Setting Intervention Deadline" on April 20, 2015, but did not suspend the pending tariff. The Order set the intervention deadline for April 30, 2015 and required Staff to file its recommendation no later than June 16, 2015.

STAFF'S ISRS REVENUE REQUIREMENT CALCULATION

Laclede's filing in Case No. GO-2015-0269 represents its third ISRS filing since the conclusion of its most recent rate case, Case No. GR-2013-0171. Since that case, Laclede filed ISRS Case Nos. GO-2014-0212 and GR-2015-0026, both of which are currently included in Laclede's ISRS rates.

In its Application, Laclede filed to recover ISRS qualifying infrastructure replacement costs incurred during the period September 1, 2014 through February 28, 2015. As part of the Auditing Staff's examination of Laclede's Application, Auditing Staff reviewed all supporting workpapers, work orders, and other applicable documentation; Staff 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 May 15, 2015. This methodology is consistent with past reviews conducted by the Auditing Staff, and 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 Audit 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 No. GO-2014-0212 and GR-2015-0026 as required by 4 CSR 240-3.265(20)(K).

STAFF RECONCILIATION

Commission Rule 4 CSR 240-3.265(17) requires that Staff reconcile the ISRS revenue Laclede collected from customers in the prior 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 1, 2014 through February 28, 2015, which is the period of time the prior ISRS cases (Case Nos. GO-2014-0212 and GR-2015-0026) were in effect. Based upon this reconciliation, the Staff verified that the Company has under-collected ISRS related revenues from its customers by an amount of \$452,006. This amount of under-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, Staff is recommending that Laclede receive ISRS revenues of \$5,524,406.

This amount will be included with the currently in effect ISRS (Case No. GO-2014-0212 and GR-2015-0026). The below table shows the accumulative amount to be included in rates:

ISRS Case No.	Revenue Requirement	Accumulative
GO-2014-0212	\$7,018,225	
GR-2015-0026	\$2,780,045	\$9,798,270
GO-2015-0269	\$5,524,406	\$15,322,676

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.

RECOMMENDATION

Staff raises no objection to the Motion for Expedited Treatment. Based upon the rationale stated above, Staff recommends the Commission issue an order in this case that:

1. Rejects Laclede's ISRS tariff sheet revised Tariff Sheet P.S.C. MO No. 5 Consolidated, Twenty-Fourth Revised Sheet No. 12 cancelling P.S.C. MO. No. 5 Consolidated, Twenty-Third Revised Sheet No. 12, filed April 17, 2015;
2. Approves the Staff's recommended ISRS surcharge revenues in this docket in the incremental amount of annual pre-tax revenues of \$5,524,406 with a total current and cumulative ISRS surcharge of \$15,322,676; and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Appendix B, which generates \$15,322,676 annually.

LACLEDE GAS COMPANY
CASE NO. GO-2015-0269
 ISRS RATE DESIGN

APPENDIX B

Staff's Total ISRS Revenue Calculation	\$15,322,676
GO-2014-0212	\$7,018,225
GR-2015-0026	\$2,780,045
GO-2015-0269	\$5,524,406

Customer Rate Class	Ave Cust # Sept. 13	Customer Charge	Ratio To Res	Weighted Cust #	Customer Percentage	ISRS Charge	ISRS Revenues
Residential	602,420	\$19.50	1.6250	978,933	88.0849%	\$1.87	\$13,496,965
Com & Ind. Class 1	30,895	\$25.50	2.1250	65,652	5.9074%	\$2.44	\$905,171
Com & Ind. Class 2	8,945	\$44.29	3.6908	33,015	2.9707%	\$4.24	\$455,185
Com & Ind. Class 3	589	\$88.57	7.3808	4,347	0.3912%	\$8.48	\$59,938
Large Volume	73	\$874.78	72.8983	5,322	0.4788%	\$83.76	\$73,371
Interruptible	16	\$776.36	64.6967	1,035	0.0931%	\$74.33	\$14,272
Transportation	133	\$2,069.94	172.4950	22,942	2.0643%	\$198.19	\$316,309
Transportation - Other	0	\$1,707.94	142.3283	0	0.0000%	\$0.00	\$0
Gas Light	83	\$5.69	0.4742	39	0.0035%	\$0.54	\$543
<i>Vehicular Fuel</i>	4	\$22.09	1.8408	7	0.0007%	\$2.12	\$102
Liquid Propane	42	\$17.00	1.4167	60	0.0054%	\$1.63	\$820
TOTAL	<u>643,200</u>			<u>1,111,351</u>	<u>100.0000%</u>		<u>\$15,322,676</u>

* Due to rounding to the nearest penny, the designed ISRS rates will over collect by \$20,710. However, it should be noted that the total amount collected will be trued-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 to)
Change its Infrastructure System)
Replacement Surcharge in Its Laclede Gas)
Service Territory)

Case No. GO-2015-0269

AFFIDAVIT OF KIM COX

STATE OF MISSOURI)
)
COUNTY OF COLE) ss

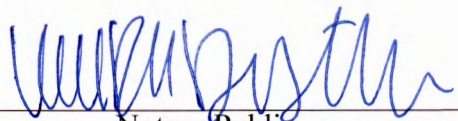
Kim Cox of lawful age, on oath states: that she participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to her; that she has knowledge of the matters set forth in such Staff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



Kim Cox

Subscribed and sworn to before me this 1st day of May, 2015.

LAURA DISTLER
Notary Public - Notary Seal
STATE OF MISSOURI
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914



Notary Public

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) File No. GO-2015-0269
its Infrastructure System Replacement)
Surcharge in Its Laclede Gas Service)
Territory)

AFFIDAVIT OF LISA K. HANNEKEN

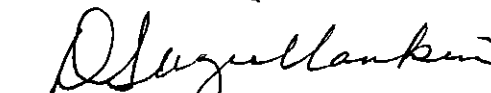
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lisa K. Hanneken, of lawful age, on her oath states: that she has 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 developed by her; that she has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.


Lisa K. Hanneken

Subscribed and sworn to before me this 30th day of April, 2015.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 12, 2016
Commission Number: 12412070


Notary Public

**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 Infrastructure System)
Replacement Surcharge in Its Laclede Gas)
Service Territory)

Case No. GO-2015-0269

AFFIDAVIT OF THOMAS M. IMHOFF

STATE OF MISSOURI)
)**ss**
COUNTY OF COLE)

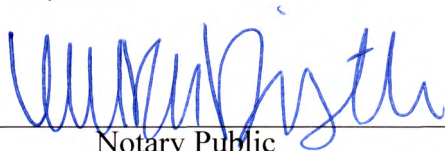
Thomas M. Imhoff, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in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



Thomas M. Imhoff

Subscribed and sworn to before me this 15th day of May, 2015.

LAURA DISTLER
Notary Public - Notary Seal
STATE OF MISSOURI
Commissioned for Cole County
My Commission Expires: June 21, 2015
Commission Number: 11203914



Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

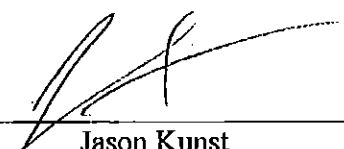
OF THE STATE OF MISSOURI

In the Matter of the Verified Application and)
Petition of Laclede Gas Company to Change) File No. GO-2015-0269
its Infrastructure System Replacement)
Surcharge in Its Laclede Gas Service)
Territory)

AFFIDAVIT OF JASON KUNST

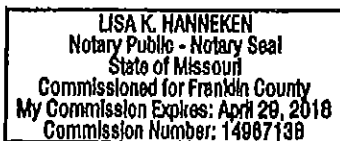
STATE OF MISSOURI)
) ss.
COUNTY OF ST LOUIS)


Jason Kunst, of lawful age, on his oath states: that he has 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 developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of his knowledge and belief.



Jason Kunst

Subscribed and sworn to before me this 30th day of April, 2015.





Notary Public