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December 4, 2003

FILED

DEC 0 4 2003

Missouri Public Service Commission

Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Re: Case No. GX-2004-0090

Dear Mr. Roberts:

Enclosed for filing please find an original and eight copies of the Comments of Atmos Energy Corporation, Laclede Gas Company, and Missouri Gas Energy, a division of Southern Union Company.

Please bring this filing to the attention of the appropriate Commission personnel. A copy of this filing will be provided to parties of record. If there are any questions, please direct them to me at the above number. I thank you in advance for your cooperation in this matter.

Sincerely,

Brian T. McCartney

Brian T. McCartney

BTM/da
Enclosures
cc: Parties of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Proposed Rule to Establish Procedures for Natural Gas Utilities to Establish an Infrastructure System Replacement Surcharges	)))))	Case No. GX-2004-0090

COMMENTS OF
ATMOS ENERGY CORPORATION,
LACLEDE GAS COMPANY AND MISSOURI GAS ENERGY

COME NOW Atmos Energy Corporation, Laclede Gas Company, and Missouri Gas Energy ("MGE"), a division of Southern Union Company (hereinafter collectively referred to as the "Missouri Gas Utilities"), and pursuant to the Notice published in the November 3, 2003 Missouri Register, Vol. 28, No. 21, respectfully submit the following comments in response to the Missouri Public Service Commission's ("Commission") proposed Infrastructure System Replacement Surcharge Rule (the "Proposed Rule").

INTRODUCTION

The stated purpose of the Proposed Rule is to implement those provisions of House Bill 208 ("HB 208") that authorize gas utilities to institute an infrastructure system replacement surcharge ("ISRS"). *See* Sections 393.1009 to 393.1015 (RSMo. Supp. 2003). At the outset, the Missouri Gas Utilities question why any rules at all are necessary to implement these statutory provisions. Even a cursory review shows that the ratemaking procedures and requirements set forth in these provisions are already far more comprehensive, detailed and precise than any to be found elsewhere in either the statutes governing the Commission's powers or, for that matter, the Commission's own rules, including those applicable to general rate case filings. In view of these considerations, the addition of an entirely new layer of procedures and requirements is neither necessary nor advisable.

Nevertheless, if rules are to be adopted it is essential that they be consistent with both the letter and spirit of the relevant provisions of HB 208. Indeed, as a legislatively-created body who may only administer the laws as they have been given to it by the General Assembly, *see* ***Atchison, T. & S.F. Ry. Co. v. Public Service Comm'n***, 192 S.W. 460 (Mo. banc 1917); ***Inter-City Beverage Co. v. Kansas City Power and Light Co.***, 889 S.W.2d 865 (Mo. App. W.D. 1994), it is incumbent upon the Commission to ensure that this goal of legislative compliance is fully realized.

As discussed below, there are a number of provisions in the Proposed Rule that, if adopted, would violate this fundamental legal principle by implementing requirements that either conflict with, or go well beyond the scope of, those set forth in HB 208. These comments will address each of these deficiencies in turn, as well as the revisions to the Proposed Rule which the Missouri Gas Utilities believe are necessary to bring the Rule into conformity with the clear requirements of HB 208. For the Commission's convenience, a red-lined version of the Rule with these revisions incorporated has been attached as Appendix 1 to these comments.

COMMENTS

The comprehensive ISRS provisions of HB 208 were developed by the legislature as a way to streamline the regulatory process associated with rate recovery of certain governmentally-mandated, non-revenue producing expenditures incurred by gas utilities. In essence, this streamlining occurs by enabling gas utilities to obtain rate recovery of such expenditures pursuant to a statutorily-defined formula for establishing rates and without the necessity of filing a costly and time-consuming, full-blown general rate case. At the same time, such recovery is made subject to a number of conditions designed to protect the interests of customers. Among others, these include a provision authorizing a prudence review of such expenditures in future general rate cases,

Section 393.1015.8, as well as a provision mandating that such cases be filed on a periodic basis if the ISRS is to remain in effect. Sections 393.1012.2 and 3. They also include provisions for reconciling ISRS revenues to prevent any over or under-recovery of ISRS costs and for returning to customers any amounts determined to be excessive or imprudently incurred. Sections 393.1015.5(2), 393.1015.6(2) and 393.1015.8.

To ensure that the recovery process for these expenditures does, in fact, remain streamlined, the ISRS provisions of HB 208 define exactly what kind of expenditures may be included in an ISRS, what kind of procedures are to be followed when establishing ISRS rates (including procedures for providing notice of the ISRS filing), and what method is to be used for calculating ISRS rates. Sections 393.1009 to 393.1015. In addition, the ISRS provisions contain very explicit language prohibiting the introduction of extraneous issues. This includes language setting out the specific factors and information that may be considered by the Commission when establishing ISRS rates, *see* sections 393.1015.2(2) and 393.1015.4, as well as provisions prohibiting an examination or consideration of any other revenue requirement or ratemaking issues when establishing such rates. Section 393.1015.2(2). It also includes language specifically limiting the Commission's rulemaking authority in this area to only those rules that "are consistent with, and do not delay the implementation of, the provisions of sections 393.1009 to 393.1015." Section 393.1015.11

Notwithstanding these clear directives by the General Assembly, however, the Proposed Rule nevertheless contains a number of provisions that seek to impose additional procedural requirements, redefine what costs are subject to the ISRS

mechanism, or alter the prescribed method for calculating ISRS revenues and rates. These unauthorized, unlawful and unreasonable provisions include the following:

A. Unauthorized Notice Requirements

Section 393.1015.1(2) of HB 208 specifically provides that upon the filing of an ISRS, "the commission shall publish notice of the filing." Section (8) of the Proposed Rule, however, imposes additional notice requirements that are nowhere to be found in the ISRS provisions of House Bill 208. These include requirements in subsections (A) and (B) of Section (8) that the utility provide both an initial one-time notice and an annual notice to all customers who would be affected by the ISRS; as well as a requirement in subsection (C) that the utility include a line-item surcharge on the bills of all affected customers which identifies the amount and existence of the ISRS.

By proposing these new notice requirements, the Proposed Rule seeks to transform the *Commission's* obligation under HB 208 to publish a *single* notice whenever an ISRS is filed into one in which the *utility* would now be required to notify its customers on *multiple* occasions. Moreover, rather than provide such notice through the statutorily-mandated method of "publication," the utility would be required to send individual notices to each affected customer, both on an annual as well as a monthly basis in the form of a separate line item on the customer's bill.

Each of these additional notice requirements conflicts with the specific requirements of HB 208. The separate line-item billing requirement, however, is particularly objectionable. While separate line-item billing of the ISRS would have been required under an earlier version of the ISRS bill legislation (*see*, section 393.1003.1 of Senate Bill 125 as originally introduced), this provision was removed prior to final

passage of House Bill 208. As a consequence, the adoption of such a requirement as part of the Proposed Rule would not only be contrary to the plain wording of Section 393.1015.1(2), but would also effectuate a result that was demonstrably considered and rejected by the General Assembly. Obviously, it would be impossible to square such a result with the directive in Section 393.1015.11 that the Commission not adopt any rules that would be inconsistent with the ISRS provisions of HB 208.

Moreover, the Missouri Gas Utilities have estimated that the separate line-item billing requirement will cause them (and ultimately their customers) to incur hundreds of thousands of dollars in additional costs relating to computer programming changes, extra bill stock expenses and other expenditures necessary to develop, implement and maintain a separate line-item for the ISRS. It would also increase costs and/or inconvenience customers by requiring that utilities devote more of their customer service resources to answering the increase in customer inquiries that typically occurs whenever there is a notable change to the customer's bill – resources that could be more productively used in helping customers with real problems.

Regardless of what the prevailing legal requirements might be, it is difficult to envision any circumstances where it would be appropriate to subject utilities and their customers to these additional costs and inconveniences.[1] Such an imposition of

[1]The multitude of overlapping notice requirements in the Proposed Rule is even more inexplicable when one considers the Commission's traditional practices for providing notice for rate changes involving other cost items. For example, the Commission does not require that individual customer notices be provided for Purchased Gas Adjustment rate changes, even though such changes will typically have a far greater impact on the customer's bill than an ISRS rate change ever will. Instead, the Commission relies on the kind of "publication" notice that is specifically mandated in HB 208 for ISRS rate changes. Nor does the Commission typically require that any notice at all – let alone the kind of separate line-item notice contemplated by the Proposed Rule – be provided when surcharges designed to recover other expense items are assessed against customers. For instance, while Missouri Gas Energy's ongoing Experimental Low-Income Rate was funded by means of a monthly surcharge on the bills of its residential customers, the Commission did NOT require that this surcharge be identified on each customer's bill by means of a

unnecessary costs is even less defensible, however, when it is being pursued (as this one is) in direct violation of a legislative directive that mandates use of a different and much less expensive form of notice. For all of these reasons, the Missouri Gas Utilities respectfully request that the Commission modify both Sections (8) and (9) of the Proposed Rule so as to eliminate the separate line-item billing requirement. (*See* Appendix 1, p. 2, for suggested revisions). While such revisions would still leave in place some notification requirements that go beyond those authorized by HB 208, it would at least eliminate the requirement that is most costly and strays most dramatically from what the General Assembly has directed the Commission to do. Accordingly, the Commission should incorporate these revisions in the event it decides to adopt the Proposed Rule.

B. New Definition of Net Original Cost

Subsection (O) of section (18) of the Proposed Rule seeks to impermissibly change the meaning of "net original cost of eligible infrastructure system replacements" as used in section 393.1009.1(a). It does so by including parenthetical language in subsection (O) which is apparently designed to imply that the "net original cost of infrastructure system replacements" means the "total cost [of such replacements] less the net book value of any related facility retirements."

There is simply nothing in the express language of HB 208, however, to suggest that "the net book value of related facility retirements" may be taken into consideration when calculating ISRS revenues. To the contrary, Section 393.1009(1)(a) could not be more clear or more precise when it says that ISRS revenues should be calculated

separate line-item. In view of these considerations, it is difficult to discern any rationale for requiring the kind and number of notifications set forth in the Proposed Rule for ISRS rate changes.

based on "the net original cost of *eligible infrastructure system replacements,* including recognition of accumulated deferred income taxes and accumulated depreciation associated with *eligible infrastructure system replacements which are included in a currently effective ISRS.*" "Eligible infrastructure system replacements" are, in turn, defined as "utility plant projects" that "***[d]o not*** increase revenues by directly connecting the infrastructure replacement to new customers," Section 393.1009(3)(a), and that "were ***not included*** in the gas corporation's rate base in its most recent general rate case." Section 393.1009(3)(c) (*emphasis supplied*).

Given this clear statutory language, it is completely untenable to suggest, as the Proposed Rule does, that the "net original cost of *eligible* infrastructure replacements" means something other than the original cost (net of depreciation) of the specific infrastructure replacement facilities that are *eligible* for inclusion in an ISRS charge.[2] This is particularly true where the alternative meaning being proposed explicitly requires that the cost of retired facilities be considered, notwithstanding the fact that such facilities:

(a) have ***never been included*** in an ISRS;

(b) will ***never even be eligible*** for such inclusion;

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[2]Suggesting that there is some ambiguity about the meaning of the term "net original cost" is akin to suggesting that there is something inherently unclear about the term "return on equity" or "net salvage costs." The fact is that net original cost is a well understood term that is commonly used in regulatory parlance to mean the original cost or value of a plant item, net of any depreciation that has accrued on that item. In that regard, it is instructive to note that the Proposed Rule evidences no confusion at all as to what the term "net original cost" means when it comes to the cost of retired facilities. For in specifying how the costs of retired facilities are to be accounted for, the Proposed Rule speaks in terms of recognizing the "net book value" of such facilities. Since "net book value" and "net original cost" are interchangeable terms for original cost less depreciation, the Proposed Rule confirms that the "net original cost of eligible infrastructure replacements" as used in section 393.1009(1)(a) means the original cost of such eligible facilities, less any depreciation that has accrued on such facilities at the time they are reflected in an ISRS filing. Indeed, the only error that the Proposed Rule makes is to suggest that language which is expressly applicable only to the net original cost of *eligible* facilities somehow permits a consideration of the net original cost of *ineligible* facilities.

(c) ***have increased revenues*** by directly connecting (at some point in the past) infrastructure replacements to new customers; and

(d) ***were included*** in the gas corporation's rate base in its most recent general rate case proceeding.

By sharing all of the above characteristics, retired utility plant is the very antithesis of the kind of facilities that may lawfully be considered when determining ISRS revenues. In each and every instance, such facilities fail to meet the explicit criteria set forth in HB 208 for ISRS inclusion and no amount of definitional tinkering can alter that basic fact.

Moreover, the Proposed Rule's attempt to consider the costs of retired utility plant also runs afoul of Section 393.1015.4, which specifically addresses and limits the factors that the Commission may consider when determining appropriate ISRS revenues. By expressly providing that the Commission shall only consider "the current depreciation rates applicable to the *eligible infrastructure system replacements,*" subsection (6) of this statutory provision necessarily precludes any consideration of the depreciation rates that have been applicable to retired utility plant. That is the very kind of unauthorized consideration that would have to be undertaken, however, in the event the Proposed Rule's approach for determining net original cost was to be used since the net book value of retired facilities can only be determined through an examination of the depreciation rates (both past and current) that have been applicable to such plant.

In view of these considerations, there is nothing – absolutely nothing – in the ISRS provisions of HB 208 to indicate that the net book value of *non-eligible* infrastructure retirements may be considered when determining what level of ISRS

revenues is necessary to permit recovery of *eligible* infrastructure replacement costs. To the contrary, the language of the ISRS provisions expressly precludes the consideration of such a factor. As a result, the Proposed Rule's attempt to alter the meaning of net original cost must be rejected for what it is – a transparent effort to interject into the ISRS process the very kind of extraneous revenue requirement and ratemaking issues that are expressly forbidden by the clear language of HB 208. To that end, Appendix 1 reflects the revisions to subsection 18(O) of the Proposed Rule that must be made to correct this deficiency.

C. Other Inconsistent and Unauthorized Provisions

In addition to the deficiencies described above, there are a number of other provisions in the Proposed Rule that either conflict with or exceed the lawful parameters of HB 208. For example, Section (11) of the Proposed Rule states that the Staff of the Commission may examine the information provided by the utility to determine whether the underlying costs are in compliance with the provisions of the Proposed Rule as well as the ISRS provisions of HB 208. Section 393.1015.2(2) of HB 208, however, states that the only information to be examined by the Commission Staff is that necessary to confirm whether the underlying costs are in accordance with the ISRS provisions of HB 208. The Commission may not alter this express statutory limitation by rewriting the provision in a way that requires the utility to also demonstrate that its underlying costs are in accordance with whatever additional requirements are in the Proposed Rule. The words "the provisions of this rule and" should accordingly be eliminated from section (11) of the Proposed Rule. (*See* page 2 of Appendix 1).

The same deficiency is also found in section (13) of the Proposed Rule which seeks to require that utilities comply with the provisions of the Proposed Rule as well as the ISRS provisions of HB 208 in order to obtain Commission approval of an ISRS filing. Unless the Commission has included in its Proposed Rule requirements that are inconsistent with the ISRS provisions of HB 208 – a result that in and of itself would violate the express limitation on its rulemaking powers found in section 393.1015.11 – there should be no need to comply with anything more than what is specifically required by those ISRS provisions. Accordingly, the words "this rule and" should be eliminated from section (13) of the Proposed Rule. (*See* page 2 of Appendix 1).

Subsections (G), (J), (K), (L), and (M) of section (18) of the Proposed Rule also introduce additional items to be reviewed during the ISRS process that go well beyond those provided for in the ISRS provisions of HB 208. For example, subsection (G) requires that the utility provide an explanation of how long any infrastructure that was replaced had been installed. While it is difficult to discern why such information would be relevant to any inquiry, it is clearly not an item of information that HB 208 requires the utility to provide to support its ISRS filing. The same is also true of subsection (J)'s requirement concerning the utility's efforts to seek reimbursement of relocation costs, subsection (K)'s requirement that the utility explain how its replacements are being funded, and subsection (L)'s requirement that the utility explain whether and why it has used a "Request for Proposal" process for infrastructure projects. These items are not the kind of informational items that a utility is required to provide to support an ISRS filing. These provisions of the Proposed Rule are therefore inconsistent with section

393.1015.2(2) of HB 208 and in violation of section 393.1015.11 and should accordingly be eliminated.[3]

There are also several provisions of subsection (O) — specifically subsections (O)3 and (O)6 — that appear to have no place in the rule and may have been inadvertently lifted from the water utility ISRS provisions. While similar language is found in section 393.1000.8 applicable to water utilities, corresponding language is not found in the gas utility ISRS provisions of HB 208. Furthermore, requiring that information be broken out in this kind of exhaustive detail does not appear to be necessary and will only increase costs. Moreover, since it is not a requirement of the statute, it is in violation of section 393.1015.11. Such provisions should accordingly be eliminated as set forth in Appendix 1 to this comment.

Finally, to be consistent with the ISRS provision of HB 208, subsection (P) of Section 18 should also be modified to provide that the source of any regulatory or other requirement to install facilities may also be a statute, rule or regulation, as well as a Commission Order.

CONCLUSION

For the reasons discussed herein, the Missouri Gas Utilities respectfully request that the Commission withdraw the Proposed Rule. Alternatively, if the Commission is not inclined to take such action, it should modify the Proposed Rule consistent with these comments and the revisions set forth in Appendix 1. For all the reasons stated

[3]Subsection (M) of section (18) of the Proposed Rule should also be revised in accordance with the modifications set forth in Appendix 1. Such revisions are necessary and appropriate because, as written, subsection (M) requires that the utility explain how the infrastructure replacement project does not increase revenues by increasing pipeline capacity for service to new customers. Under the ISRS provisions of HB 208, however, the relevant issue for ISRS eligibility is whether the replacement does "not increase revenues by directly connecting the infrastructure replacement to new customers." Section 393.1009(3)(a). Since this statutory criteria cannot be changed by the Proposed Rule, the language of subsection (M) should be modified to be consistent with section 393.1009(3)(a).

herein, such modifications are essential if the Proposed Rule is to faithfully comply with the clear and unambiguous requirements of HB 208.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 4th day of December, 2003, to the Commission's General Counsel and the Office of the Public Counsel.

Brian T. McCartney

Title 4 – DEPARTMENT OF ECONOMIC DEVELOPMENT
Division 240 – Public Service Commission
Chapter 3 – Filing and Reporting Requirements

PROPOSED RULE

4 CSR 240-3.265 Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges

PURPOSE: This rule sets forth the definitions, parameters and procedures relevant to the filing and processing of petitions pertaining to an infrastructure system replacement surcharge (ISRS), including the information that a natural gas utility must provide when it files a petition and associated rate schedules to establish, change or reconcile an ISRS.

(1) As used in this rule, the following terms mean:

(A) Appropriate pretax revenues - the revenues necessary to:

1. Produce net operating income equal to the natural gas utility's weighted cost of capital multiplied by the net original cost of eligible infrastructure system replacements, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements that are included in a currently effective ISRS;

2. Recover state, federal, and local income or excise taxes applicable to such income; and

3. Recover all other ISRS costs;

(B) Eligible infrastructure system replacements – natural gas utility plant projects that:

1. Replace or extend the useful life of existing infrastructure;

2. Are in service and used and useful;

3. Do not increase revenues by directly connecting the infrastructure replacement to new customers; and

4. Were not included in the natural gas utility's rate base in its most recent general rate case.

(C) Natural gas utility – a gas corporation as defined in section 386.020, RSMo;

(D) ISRS - infrastructure system replacement surcharge;

(E) other ISRS costs - depreciation expenses, and property taxes that will be due within twelve months of the ISRS filing;

(F) ISRS revenues - revenues produced through an ISRS, exclusive of revenues from all other rates and charges;

(G) Natural gas utility plant projects - projects that consist only of the following:

1. Mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to comply with state or federal safety requirements as replacements for existing facilities that have worn out or are in deteriorated condition;

2. Main relining projects, service line insertion projects, joint encapsulation projects, and other similar projects extending the useful life, or enhancing the integrity of pipeline system components undertaken to comply with state or federal safety requirements; and

3. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state or another entity having the power of eminent domain; provided that the costs related to such projects have not been reimbursed to the natural gas utility.

(2) Pursuant to the provisions of this rule and sections 393.1009 to 393.1015, RSMo, a natural gas utility may file a petition and proposed rate schedules with the commission to establish or change ISRS rate schedules that will allow for the adjustment of its rates and charges to provide for the recovery of costs for eligible infrastructure system replacements; provided that the ISRS, on an annualized basis, must produce ISRS revenues of at least the lesser of one half of one percent of the natural gas utility's base revenue level approved by the commission in the natural gas utility's most recent general rate case proceeding or one million dollars, but not in excess of ten percent of the subject utility's base revenue level approved by the commission in the utility's most recent general rate proceeding.

(3) An ISRS, and any future changes thereto, shall be calculated and implemented in accordance with the provisions of this rule and sections 393.1009 to 393.1015, RSMo.

(4) ISRS revenues shall be subject to refund based upon a finding and order of the commission, to the extent provided in subsections (5) and (8) of section 393.1015, RSMo.

(5) The commission shall not approve an ISRS for a natural gas utility that has not had a general rate proceeding decided or dismissed by issuance of a commission order within the past three years, unless that utility has filed for or is the subject of a new general rate proceeding.

(6) In no event shall a natural gas utility collect an ISRS for a period exceeding three years unless it has filed for or is the subject of a new general rate proceeding; provided that the ISRS may be collected until the effective date of new rate schedules established as a result of the new general rate proceeding, or until the subject general rate proceeding is otherwise decided or dismissed by issuance of a commission order without new rates being established.

(7) Upon the filing of a petition seeking to establish or change an ISRS, the commission will provide notice of the filing.

(8) The natural gas utility shall provide the following notices to its customers:

(A) An initial, one-time notice to all potentially affected customers, such notice being sent to customers no later than when customers will receive their first bill that includes an ISRS, explaining the subject utility's infrastructure system replacement program, explaining how it will calculate its ISRS, explaining how its ISRS will be applied to its various customer classes and identifying the statutory authority under which it is implementing its ISRS; and

(B) An annual notice to affected customers each year that an ISRS is in effect explaining the continuation of its infrastructure system replacement program and the resulting ISRS.; ~~and~~

~~(C) A line item surcharge description on all affected customer bills, which will identify the existence and amount of the ISRS on the bills.~~

(9) Within twenty (20) days of the natural gas utility's filing of a petition to establish an ISRS, the subject utility shall submit the following to the commission for approval:

(A) An example of the initial, one-time notice required by subsection (8)(A) of this rule; and

(B) An example of the annual notice required by subsection (8)(B) of this rule.; ~~and~~

~~(C) An example customer bill showing how the ISRS will be separately identified on affected customers' bills in accordance with subsection (8)(C) of this rule.~~

(10) When a natural gas utility files a petition pursuant to the provisions of this rule, the commission shall conduct an examination of the proposed ISRS.

(11) The staff of the commission may examine information of the natural gas utility to confirm that the underlying costs are in accordance with ~~the provisions of this rule and~~ sections 393.1009 to 393.1015, RSMo, and to confirm proper calculation of the proposed ISRS, and may submit a report regarding its examination to the commission not later than sixty days after the natural gas utility files its petition. The staff shall not examine any other revenue requirement or ratemaking issues in its consideration of the petition or associated proposed rate schedules.

(12) The commission may hold a hearing on the petition and the associated proposed rate schedules and shall issue an order to become effective not later than one hundred twenty days after the natural gas utility files the petition.

(13) If the commission finds that a petition complies with the requirements of ~~this rule and~~ sections 393.1009 to 393.1015, RSMo, the commission shall enter an order authorizing the natural gas utility to impose an ISRS that is sufficient to recover appropriate pretax revenues, as determined by the commission.

(14) A natural gas utility may effectuate a change in an ISRS no more often than two times during every twelve-month period, with the first such period beginning on the effective date of the rate schedules that establish an initial ISRS. For the purposes of this section, an initial ISRS is the first ISRS granted to the subject utility or an ISRS established after an ISRS is reset to zero pursuant to the provisions of section (16) of this rule.

(15) At the end of each twelve-month period that an ISRS is in effect, the natural gas utility shall reconcile the differences between the revenues resulting from the ISRS and the appropriate pretax revenues as found by the commission for that

period and shall submit the reconciliation and proposed ISRS rate schedule revisions to the commission for approval to recover or refund the difference, as appropriate.

(16) A natural gas utility that has implemented an ISRS shall file revised ISRS rate schedules to reset the ISRS to zero when new base rates and charges become effective following a commission order establishing customer rates in a general rate proceeding that incorporates eligible costs previously reflected in an ISRS into the subject utility's base rates.

(17) Upon the inclusion of eligible costs previously reflected in an ISRS into a natural gas utility's base rates, the subject utility shall immediately thereafter reconcile any previously unreconciled ISRS revenues as necessary to ensure that revenues resulting from the ISRS match, as closely as possible, the appropriate pretax revenues as found by the commission for that period.

(18) At the time that a natural gas utility files a petition with the commission seeking to establish, change or reconcile an ISRS, it shall submit proposed ISRS rate schedules and its supporting documentation regarding the calculation of the proposed ISRS with the petition, and shall serve the office of the public counsel with a copy of its petition, its proposed rate schedules and its supporting documentation. The subject utility's supporting documentation shall include workpapers showing the calculation of the proposed ISRS, and shall include, at a minimum, the following information:

(A) The state, federal, and local income or excise tax rates used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those tax rates;

(B) The regulatory capital structure used in calculating the proposed ISRS, and an explanation of the source of and the basis for using that capital structure;

(C) The cost rates for debt and preferred stock used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those cost rates;

(D) The cost of common equity used in calculating the proposed ISRS, and an explanation of the source of and the basis for using that equity cost;

(E) The property tax rates used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those tax rates;

(F) The depreciation rates used in calculating the proposed ISRS, and an explanation of the source of and the basis for using those depreciation rates;

~~(G) An explanation of how long any infrastructure that was replaced associated with the ISRS had been installed when it was removed or abandoned;~~

(~~H~~G) The applicable customer class billing units used in calculating the proposed ISRS, and an explanation of source of and the basis for using those billing units;

(~~I~~H) An explanation of how the proposed ISRS is being proportioned between affected customer classes, if applicable;

~~(J) An explanation of the efforts of the natural gas utility to quantify and to seek reimbursement of any costs incurred for relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States, this state, a political subdivision of this state, or another entity having the power of eminent domain, which could offset the requested ISRS revenues;~~

~~(K) An explanation of how the infrastructure replacement projects associated with the ISRS are being funded, including the amount of any debt and the interest rate on that debt;~~

~~(L) An explanation of the request for proposal (RFP) process, or the reasons for not using an RFP process, used to establish what entity performed the infrastructure replacement projects associated with the proposed ISRS;~~

(~~M~~J) An explanation of how the infrastructure replacement projects associated with the ISRS do not increase revenues by directly connecting the infrastructure replacement to ~~increasing pipeline capacity for service of, or interconnection of,~~ new customers;

(~~N~~J) An explanation of when the infrastructure replacement projects associated with the ISRS were completed and became used and useful;

(~~O~~K) For each project for which recovery is sought, the net original cost of the infrastructure system replacements (**original cost of eligible infrastructure system replacements, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements**~~total cost less net book value of any related facility retirements~~), the amount of related ISRS costs that are eligible for recovery during the period in which the ISRS will be in effect, and a breakdown of those costs identifying which of the following project categories apply and the specific requirements being satisfied by the infrastructure replacements for each:

1. Mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to comply with state safety requirements;

2. Mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to comply with federal safety requirements;

~~3. Mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to replace existing facilities that have worn out or are in deteriorated condition;~~

~~4.~~3. Main relining projects, service line insertion projects, joint encapsulation projects, and other similar projects undertaken to comply with state safety requirements;

~~5.~~4. Main relining projects, service line insertion projects, joint encapsulation projects, and other similar projects undertaken to comply with federal safety requirements;

~~6. Main relining projects, service line insertion projects, joint encapsulation projects, and other similar projects extending the useful life, or enhancing the integrity of pipeline system components;~~

~~7.~~5. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of the United States;

~~8.~~6. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of this state;

~~9.~~7. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of a political subdivision of this state; and

~~10.~~8. Facilities relocations required due to construction or improvement of a highway, road, street, public way, or other public work by or on behalf of an entity other than the United States, this state, or a political subdivision of this state, having the power of eminent domain;

(PL) For each project for which recovery is sought, the statute, commission order, rule, or regulation if any, requiring the project; a description of the project; the location of the project; what portions of the project are completed, used and useful; what portions of the project are still to be completed; and the beginning and planned end date of the project.

(19) In addition to the information required by section (18) of this rule, the natural gas utility shall also provide the following information when it files a petition with the commission seeking to establish, change or reconcile an ISRS:

(A) A description of all information posted on the subject utility's website regarding the infrastructure system replacement surcharge and related infrastructure system replacement projects; and

(B) A description of all instructions provided to personnel at the subject utility's call center regarding how those personnel should respond to calls pertaining to the ISRS.

AUTHORITY: sections 386.250 and 393.140, RSMo 2000, and section 393.1015.11, HB208, effective August 28, 2003.