

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

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

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

**POSITION STATEMENT OF
THE OFFICE OF THE PUBLIC COUNSEL**

COMES NOW the Office of the Public Counsel (“OPC”) and for its Position Statement on the above-styled matter states:

The issue before the Public Service Commission (“the Commission”) is whether the Infrastructure System Replacement Surcharge (“ISRS”) petitions of Laclede Gas Company’s (“Laclede”) two service territories - Laclede Gas Service (“Laclede Gas”) and Missouri Gas Energy (“MGE”) - are just and reasonable. In particular, the issue before the Commission is whether allowing additional costs to be included in the petitions during the review period after the petitions are filed – by Laclede’s pleadings and by the recommendation of the Public Service Commission staff (“Staff”) – is lawful and reasonable. OPC asks the Commission to make an objective, fresh review of this issue based on the evidence submitted for both lawfulness and reasonableness and to decide this issue on the merits of the argument and evidence in this case.

Regarding the reasonableness of the petitions, this case presents the Commission with new facts not presented previously regarding the limited review ISRS petitions receive from Staff. To begin, ISRS costs are not reviewed for prudence in any subsequent rate case as incorrectly stated by Staff's witness in the last ISRS case. The only review these ISRS costs receive is the limited petition reviews.

OPC believes the new facts support a Commission decision that the practice of updating ISRS petitions during the review process is unreasonable and should cease immediately to provide better ratepayer protections with thoroughly-reviewed ISRS petitions.

OPC also challenge the lawfulness of the proposed ISRS rate increases as follows:

- 1. The Proposed ISRS Rate Increases Violate Section 393.1015.1(1) RSMo Because the Petitions Do Not Include the Required Documentation for the January and February Costs**

Laclede seeks to include costs incurred after the petitions were filed, which is not permitted by Sections 393.1009, 393.1012 and 393.1015 RSMo ("ISRS Statutes").

At the time that a gas corporation files a petition with the commission seeking to establish or change 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.

Section 393.1015.1(1) RSMo [emphasis added]

When Laclede filed its petitions on February 1, 2016, it did not include supporting documentation for costs incurred during the months of January and February of 2016, which it now claims are eligible for recovery. Instead, Laclede included estimates without any project detail.

2. The Proposed ISRS Rate Increases Violate Section 393.1009(3)(b) RSMo Because the Petitions Include Costs for Plant that was Not In Service

Laclede’s petitions also run afoul of Section 393.1009(3)(b) RSMo because they include costs not “in service and used and useful” as required. Section 393.1009(3)(b) RSMo states “eligible infrastructure system replacements” are defined as “gas utility plant projects” that, among other things, “[a]re in service and used and useful.” At the time Laclede filed its petitions, the January and February 2016 costs were not known. Instead of providing any actual data, Laclede simply used placeholder amounts. This is not permitted by the ISRS statutes.

3. The Proposed ISRS Rate Increases Violate 4 CSR 240-3.265(20)(K) Because the Petitions Do Not Include the Net Original Cost for Each Project

Commission rule 4 CSR 240-3.265(20)(K) includes requirements on what “supporting documentation” must be provided:

For each project for which recovery is sought, the net original cost of the infrastructure system replacements (original cost of eligible infrastructure system replacement, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements which are included in a currently effective ISRS), 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 indentifying which of the following project categories apply and the specific requirements being satisfied by the infrastructure replacements for each.

By providing estimated future expenses only, Laclede’s petition does not include any accurate figures regarding the January and February 2016 costs, which violates the regulation because the petitions fails to provide the net original cost of each project.

Further, Laclede’s petition provides different information for costs incurred through December 2015 than it provides for the January and February 2016 costs. For example, on Appendix A, Schedule 1, Page 13 of 30, attached to Laclede’s petition, the differences between the costs through December 2015 and the January/February costs 2016 are shown in the below table. The first project is from September 2015 and the second unidentified project (a “true-up” project OPC opposes being included before the Commission for ruling) is from January 2016:

Plant Account	Work Order	Description	In Service Date	Addition Amount
Mains-Plastic	901220	Repl w/ 901F 2P Suburban Ave.	201509	\$8,674.51
Mains-Plastic		MAIN REPLACEMENTS – ADDITIONS	201601	\$4,856,000.00

As demonstrated above, the information provided for costs incurred before the petitions were filed includes information showing the project was a two-inch diameter plastic main replacement that was 901 feet long and located on Suburban Avenue in St. Louis with a total known and measurable cost \$8,674.51. The details on the January and February 2016 costs include no project number, no description of the project other than a vague “main replacement” description, as well as a very large and very rounded “addition amount” of almost \$5 million. It is impossible to audit these estimated costs. Additional information on the \$5 million figure is never provided to the Commission, and is provided to the parties only *during* the sixty-day review process; thus providing less than sixty-days to review.

4. The Proposed ISRS Rate Increases Violate Section 393.1015.2(2) RSMo Because they Seek to Reduce the Review Period to Less Than Sixty-Days

Laclede's requested increase is also unlawful because it limits the sixty-day review period provided by Section 393.1015.2(2) RSMo to a period of less than sixty-days. Laclede's late submissions cut short OPC's and the Staff's ability to review the petitions, and is, therefore, unlawful and unreasonable.

Lastly, it should be noted OPC is not arguing that the January and February 2016 ISRS costs are not eligible for inclusion in Laclede's next ISRS petition, which will be filed in approximately four months. At the time Laclede files that petition, the detail of the January and February 2016 costs will be available because those replacements will be known and measurable and will be providing service to customers. OPC and Staff will then have a full sixty-day opportunity to review the costs if included in the next ISRS petition.

WHEREFORE, the Office of the Public Counsel respectfully provides this position statement.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been emailed to all counsel of record this 21st day of April 2016:

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