

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

In the Matter of the Verified Application and)	
Petition of Laclede Gas Company to Change its)	<u>Case No. GO-2013-0352</u>
Infrastructure Replacement Surcharge.)	YG-2013-0316

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, by and through counsel, and in response to the Commission’s February 19, 2013, *Order Granting Intervention and Directing Filing of Staff Report*, states as follows:

1. On January 11, 2013, Laclede Gas Company (“Laclede”) filed a *Verified Application and Petition of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge* and a proposed *Tariff Revision* (YG-2013-0316). Laclede requested the Commission issue an order approving a change to its ISRS rate schedules effective on March 15, 2013.

2. On January 15, 2013, the Missouri Public Service Commission (“Commission”) issued an *Order Suspending Tariff, Directing Notice and Setting Intervention Date*.

3. On February 4, 2013, the Missouri Industrial Energy Consumers (MIEC) filed a timely *Application to Intervene*.

4. On February 19, 2013, the Commission granted MIEC’s request for intervention in an *Order Granting Intervention and Directing Filing of Staff Report*, which directed Staff to file its recommendation regarding Laclede’s application no later than March 12, 2013.

5. Laclede’s application requested recovery of infrastructure replacement costs for the period June 1, 2012, through November 30, 2012, with updates

of pro forma ISRS costs through January 31, 2012. This request is consistent with the methodology used to calculate the ISRS rate approved in Laclede's previous ISRS filing.

6. Staff has reviewed Laclede's proposed tariff sheet and application and recommends an incremental ISRS revenue requirement of \$4,824,037, which would produce approximately \$14,810,695 in total annual ISRS surcharge rates. Staff's methodology, recommendations, and proposed ISRS rates are detailed in Attachments A and B, incorporated by reference herein.

WHEREFORE, Staff recommends the Commission issue an order that rejects the ISRS tariff sheet filed by Laclede on January 11, 2013, approves Staff's recommended ISRS incremental pre-tax revenues of \$4,824,037, and authorizes Laclede to file an ISRS rate for each customer class as reflected in Staff's Attachment B.

/s/ Amy E. Moore

Amy E. Moore
Legal Counsel
Missouri Bar No. 61759

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4140 (Telephone)
(573) 751-9285 (Fax)
amy.moore@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 7th day of March, 2013.

/s/ Amy E. Moore

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2013-0352, File No. YG-2013-0316, Laclede Gas Company

FROM: Erin Carle - Auditing
Michael J. Ensrud - Energy - Tariffs / Rate Design

/s/ Tom Imhoff 03/07/2013
Energy Unit/Date

/s/ Amy E. Moore 03/07/2013
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 Surcharges

DATE: March 7, 2013

BACKGROUND

On January 11, 2013, Laclede Gas Company (“Laclede” or “Company”) filed with the Missouri Public Service Commission (“Commission”) its “*Verified Application and Petition of Laclede Gas Company to Change Its Infrastructure System Replacement Surcharge*” (“Application”). Laclede’s Application is governed by sections 393.1009 to 393.1015, RSMo (2000)¹ and Commission Rule 4 CSR 240-3.265 (Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges), which allow Gas corporations, such as Laclede, to recover certain qualifying infrastructure system replacement costs outside of a formal rate case, through a surcharge on customers’ bills.

This case is Laclede’s fifth ISRS filing following its most recent rate case, Case No. GR-2010-0171. Laclede currently has in place infrastructure system replacement surcharges (“ISRS”) rates that cumulatively generate \$9,986,658 annually. Existing Laclede ISRS rates were established in Case Nos. GO-2011-0058 on January 7, 2011, GO-2011-0361 on July 8, 2011, GO-2012-0145 on January 13, 2012, and GO-2012-0356 on July 9, 2012.

In its application, Laclede requested an additional \$5,649,729 increment. Laclede proposed an effective date of February 11, 2013.

On January 15, 2013, the Commission issued an *Order Suspending Tariff, Direction Notice and Setting Intervention Date*. The order suspended the effective date to May 11, 2013, and required Staff to file its memo by February 28, 2013.

On February 4, 2013, Missouri Industrial Energy Consumers (“MIEC”) filed an *Application to Intervene of the Missouri Industrial Energy Consumers*.

On February 19, 2013, the Commission issued an *Order Granting Intervention and Directing Filing of Staff Report* requiring Staff to file its memo by March 12, 2013.

On February 28, 2013, Staff filed a *Status Update* indicating Staff's intent to file its report by March 12, 2013.

STAFF REVIEW AND REVENUE CALCULATION

Laclede's last ISRS filing requested recovery of infrastructure replacement costs for the period of December 1, 2011, through March, 31, 2012, with updates through May 2012. In this proceeding, Laclede filed to recover infrastructure replacement costs incurred during the period of June 1, 2012, through November 30, 2012, with updates of pro forma ISRS costs updated through January 31, 2013. This request is consistent with the method used to calculate the ISRS rate approved in Laclede's previous ISRS filing.

Auditing Unit Staff has reviewed Laclede's ISRS application including all supporting workpapers and calculations, an audit sample of work orders, and conducted meetings with Laclede personnel to gain clarification when necessary. Staff also reviewed the Company's updated calculations for qualifying ISRS eligible plant placed into service by January 31, 2013 based upon actual qualifying infrastructure replacement costs incurred during that time period.

The methodology used by the Auditing Unit Staff allows Staff to consider all accumulated depreciation and deferred income taxes on ISRS qualifying infrastructure replacements costs through April 30, 2013. This methodology is consistent with past reviews conducted by the Auditing Unit Staff, and is consistent with Staff's view that the calculation of the ISRS revenue requirement should closely reflect the revenue requirement at the 120-day effective date of the ISRS rates, which in this case is May 11, 2013.

This case is Laclede's fifth ISRS filing following its most recent rate case, Case No. GR-2010-0171. The ISRS revenue requirements previously approved by the Commission are as follows: Case No. GO-2011-0058 with an approved revenue requirement of \$2,490,876; Case No. GO-2011-0361 with an approved revenue requirement of \$2,319,935; Case No. GO-2012-0145 with an approved revenue requirement of \$1,953,734; and Case No. GO-2012-0356 with an approved revenue requirement of \$3,222,113. In this current case, the Auditing Unit Staff is recommending an incremental annual ISRS revenue requirement of \$4,824,037 be approved for Laclede's fifth ISRS filing.

Consistent with Staff’s calculation of ISRS surcharges, accumulated deferred income taxes and depreciation on ISRS plant in previous ISRS filings, the Auditing Unit Staff routinely updates surcharges in subsequent ISRS filings to reflect a cumulative revenue requirement consisting of all approved ISRS surcharges in effect. The following chart summarizes the historical ordered revenue requirements for each ISRS since the last filed rate case, including the current requested ISRS amount, on an accumulated basis.

Cumulative ISRS Revenue Requirement	
ISRS Revenue Requirement #1 (GO-2011-0058)	2,490,876
ISRS Revenue Requirement #2 (GO-2011-0361)	2,319,935
ISRS Revenue Requirement #3 (GO-2012-0145)	1,953,734
ISRS Revenue Requirement #4 (GO-2012-0356)	3,222,113
Subtotal of ISRS Revenue	9,986,658
ISRS Revenue Requirement #5 (GO-2013-0352)	4,824,037
Total ISRS Revenue	14,810,695

THE ISRS RATE SCHEDULE

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

Staff has recalculated Laclede’s initially-filed rates using the customer count that is consistent with the most-current annual report and the total ISRS revenue calculated by the Auditing Unit Staff.

Staff has verified that Laclede 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.

RECOMMENDATION

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

1. Rejects the ISRS tariff sheet (YG-2013-0316) filed by Laclede on January 11, 2013;
2. Approves the Staff's recommended ISRS incremental pre-tax revenues of \$4,824,037;
and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B. Total ISRS rates are projected to produce \$14,810,695 annually and are consistent with the revised revenue requirement established in this case.

Laclede

Attachment B

CASE NO. GO-2013-0352

FILE NO. YG-2013-0316

Company's Total ISRS Revenues

\$14,810,695

ISRS RATE DESIGN

Customer Rate Class	Number of Customers	Customer Charges	Ratio To Res. Cust. Charge	Weighted Customer #	Customer Percentage	ISRS charge	ISRS Revenues
Residential	597,559	\$19.50	1.0000	597,559	88.2449%	\$1.82	\$13,069,689
C&I Class I	31,192	\$25.50	1.3077	40,790	6.0236%	\$2.38	\$892,141
C&I Class II	8,933	\$40.50	2.0769	18,553	2.7398%	\$3.79	\$405,791
C&I GS Class III	647	\$81.00	4.1538	2,688	0.3969%	\$7.57	\$58,781
Large Volume Service	82	\$800.00	41.0256	3,364	0.4968%	\$74.78	\$73,579
Interruptible	15	\$710.00	36.4103	546	0.0807%	\$66.36	\$11,945
General L.P. Gas Service	45	\$17.00	0.8718	39	0.0058%	\$1.59	\$858
Unmetered Gas Light	97	\$5.20	0.2667	26	0.0038%	\$0.49	\$566
Vehicular Fuel Rate	4	\$20.20	1.0359	4	0.0006%	\$1.89	\$91
Large Vol Trans & Sales	140	\$1,893.00	97.0769	13,591	2.0070%	\$176.94	\$297,255
TOTAL	<u>638,714</u>			<u>677,159</u>	<u>100.0000%</u>		<u>\$14,810,695</u>

* Due to rounding to the nearest penny, the designed ISRS rates will under collect by \$19,809. However, it should be noted that the total amount collected will be true-up at a later date.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Verified Application and)
Petition of Laclede Gas Company to Change) File No. GO-2013-0352
its Infrastructure System Replacement)
Surcharge)
)

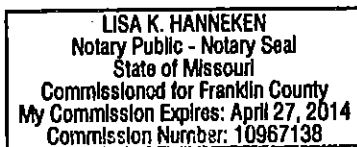
AFFIDAVIT OF ERIN M. CARLE

STATE OF MISSOURI)
) ss.
COUNTY OF St. Louis)

Erin M. Carle, 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.

Erin M. Carle
Erin M. Carle

Subscribed and sworn to before me this 4TH day of March 2013.



Lisa K. Hanneken
Notary Public

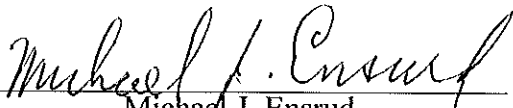
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Verified Application)
and Petition of Laclede Gas Company to)
Change its Infrastructure System)
Replacement Surcharge) Case No. GO-2013-0352

AFFIDAVIT OF MICHAEL J. ENSRUD

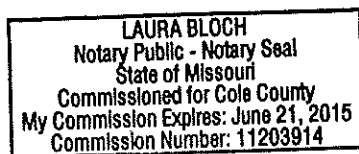
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael J. Ensrud, 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.



Michael J. Ensrud

Subscribed and sworn to before me this 17th day of March, 2013.





Notary Public