

**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-2009-0389
YG-2009-0760

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission, in response to the Commission's May 27, 2009, Order Directing Filing of Staff Report, and states:

1. On April 28, 2009, Laclede Gas Company (Laclede or Company) filed an Application and Petition (Application) under Sections 393.1009, 393.1012 and 393.1015, RSMo Cum. Supp. 2007, to change its tariffed rate for the Infrastructure System Replacement Surcharge (ISRS).

2. Laclede requests an adjustment to ISRS rates for numerous ISRS eligible gas utility plant projects through its ISRS rate schedule.

3. Commission Rule 4 CSR 240-3.265(11) states that "the staff of the Commission may examine information of the gas corporation to confirm that the underlying costs are in accordance with the provisions of Sections 393.1009 to 393.1015, RSMo, and to confirm" proper calculation of the proposed charge. The Staff "may submit a report regarding its examination to the Commission no later than sixty days" after the petition is filed.

4. In Case No. GO-2009-0221, Laclede's previous ISRS revenues were calculated on ISRS plant that was placed in service during the period April 1, 2008 through November 30,

2008.

5. By this filing, Laclede seeks to recover costs of ISRS-qualifying plant placed in service from December 1, 2008 through May 31, 2008. Based on additional information that Laclede later provided to Staff, Laclede lowered its ISRS revenue request to \$2,473,240.

6. Pursuant to the Commission's May 27, 2009 Order Directing Filing, the Staff Auditing and Energy Departments have evaluated Laclede's Application, supporting documentation, and additional data provided by the Company. In this pleading Staff makes its recommendation, more fully explained in Staff's Memorandum attached hereto as Appendix A, with supporting Attachment 1, incorporated by reference for all purposes.

7. Based on its examination and calculations contained in its Memorandum, the Staff has determined that the Company's ISRS rates should be designed to recover an incremental revenue requirement of \$2,473,240. This is based on an ISRS net investment date of May 31, 2009, the approximate date Laclede's ISRS from this case will go into effect.

8. Laclede's ISRS rates are based on a total combined revenue requirement of \$8,093,710, which is a composite amount from this case and Case No.'s GO-2008-0155, GO-2008-0351, and GO-2009-0221.

9. Please See Staff's attached Appendix 1 for the ISRS rates for each customer class that should be approved.

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

1) Rejecting the tariff sheet filed by Laclede on April 28, 2009 (assigned tariff number YG-2009-0760);

2) Authorizing Laclede to file a tariff to impose an Infrastructure System Replacement Surcharge that is sufficient to recover appropriate annual revenues in the amount of

\$2,473,240.

- 3) Authorizing rates consistent with those calculated by Staff as shown on Appendix 1.

Respectfully submitted,

/s/ Robert S. Berlin

Robert S. Berlin
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Missouri Bar No. 51709

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 26th day of June 2009.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2009-0389, File No. YG-2009-0760, Laclede Gas Company

FROM: Michael J. Ensrud, Energy – Tariffs / Rate Design
John Cassidy, - Auditing

/s/ Thomas M. Imhoff 06/26/09
Energy Department/Date

/s/ Robert S. Berlin 06/26/09
General Counsel's Office/Date

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

DATE: June 26, 2009

BACKGROUND

On April 28, 2009, Laclede Gas Company (Laclede or Company) of St. Louis, Missouri, filed an Application and Petition (Application) to implement a change in Laclede's Infrastructure System Replacement Surcharge (ISRS) with the Missouri Public Service Commission (Commission) with a proposed effective date of July 1, 2009. Missouri statute Sections 393.1000-1015 and the Commission's Rule 4 CSR 240-3.265; Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges allow Gas corporations to recover certain infrastructure system replacement costs outside of a formal rate case through a surcharge on customers' bills.

Laclede filed this tariff sheet (File No. YG-2009-0760) proposing to increase its currently established Infrastructure System Replacement Surcharge (ISRS) rates. The prior ISRS rates were reset to generate a cumulative \$5,620,470 in Filing GO-2009-0221, which the Commission allowed to become effective February 6, 2009.

On May 4, 2009, the Commission issued its order, directing notice, and setting an intervention date of May 24, 2009. On the same date, in a separate order, the Commission suspended the tariff until August 26, 2009.

On May 13, 2009, USW Local 11-6 (Local 11-6) filed an Application to Intervene. On the same day, in a separate filing, Local 11-6 filed an Entry of Appearance.

On May 26, 2009, the Commission granted Local 11-6's Application to Intervene.

On May 27, 2009, the Commission directed Staff to file its report no later than June 27, 2009.

This Memorandum is in response to that Order.

STAFF'S INVESTIGATION

Staff members from the Auditing and Energy Departments participated in the Staff's investigation of the Application. The Staff's investigation included a review of the Application supporting documentation, Missouri statutory sections 393.1009, 393.1012 and 393.1015 RSMo, Commission rules and all additional data provided by Laclede.

THE APPLICATION

The initial case forming the basis of the composite ISRS rates began with Case No. GO-2008-0155 and were calculated on ISRS plant put into service for the period April 1, 2007 through September 30, 2007. In Case No. GO-2008-0351, Laclede's incremental ISRS revenues were calculated on ISRS plant placed into service during the period October 1, 2007 through March 31, 2008. The third ISRS case supporting the current ISRS rates was Case No. GO-2009-0221 which established the appropriate level of incremental ISRS revenues for the period April 1, 2008 through November 30, 2008.

In Laclede's current ISRS Application filed on April 28, 2009, as part of Case No. GO-2009-0389, Laclede seeks to recover costs of ISRS-qualifying plant placed in service from December 1, 2008 through May 31, 2009. Laclede's original application sought ISRS revenues totaling \$2,485,205 based on (1) actual ISRS eligible investment for the period covering December 1, 2008 through March 31, 2008 and (2) pro-forma estimates of ISRS plant additions and retirements for the period April 1, 2009 through May 31, 2009. On June 16, 2009, subsequent to its original ISRS filing, Laclede provided to the Staff additional information that reflected actual plant additions and retirements for the period covering April 1, 2009 through May 31, 2009. Based on this additional information, Laclede lowered its ISRS revenue requirement request to \$2,473,240. This is a difference of approximately \$12,000.

STAFF REVIEW AND REVENUE CALCULATION

Commission Rule 4 CSR 240-3.265 (12) requires the Commission to issue an Order with an effective date no later than 120 days after the utility files an ISRS petition. As part of Case No. GO-2009-0389, Laclede Gas Company requested an adjustment to its ISRS rate schedule to reflect recovery for actual ISRS qualifying plant placed into service during the period covering December 1, 2008 through March 31, 2009. Laclede also requested recovery of pro-forma ISRS costs through May 31, 2009. Subsequent to its initial filing Laclede provided all actual costs associated with ISRS eligible plant that was projected to be placed in service during the period covering April 1, 2009 through May 31, 2009 and has provided all requested records to the Staff for its review. Laclede's request to include all ISRS eligible plant placed into service through May 31, 2009 is consistent with the method used to calculate the ISRS rate approved in Case No. GO-2009-0221, Laclede's previous ISRS filing. This is also 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, while allowing sufficient time for Staff review.

In response to Laclede's current ISRS filing, the Staff reviewed Laclede's ISRS application, all supporting workpapers and calculations, all work orders and participated in meetings and discussions with Laclede personnel. Based upon its review and calculations the Staff is recommending that Laclede receive an incremental ISRS revenue increase of \$2,473,240.

Staff's ISRS rates are computed by combining the overall annual revenue requirements from the current case (GO-2009- 0389) plus the three previous ISRS cases (Case No.'s GO-2009-0221, GO-2008-0351and GO-2008-0155).

PAST FILINGS			
	Revenue Requirement #1 (GO-2008-0155)	\$1,646,284	
	Revenue Requirement #2 (GO-2008-0351)	\$1,884,782	
	Revenue Requirement #3 (GO-2009-0221)	\$2,089,404	
	SUB-TOTAL		\$5,620,470
CURRENT FILING			
	Revenue Requirement #4 (GO-2009-0389)	\$2,473,240	
COMPOSITE REVENUE REQUIREMENT		\$8,093,710	

THE ISRS RATE SCHEDULE

Staff recommends that ISRS rates generating \$8,093,710 in annual revenues be implemented.

This is a "composite" amount of revenue requirement for ISRS qualifying plant which Laclede has not yet fully recovered from customers. In previous orders, the Commission approved incremental increases in annual ISRS revenues of \$1,646,284, \$1,884,782 and \$2,089,404 in Case Numbers GO-2008-0155, GO-2008-0351 and GO 2009-0221 respectively.

As explained above, the Staff is recommending an incremental increase in annual ISRS revenues of \$2,473,240 in this case, for a total annual ISRS revenue requirement of \$8,093,710.

Laclede's proposed ISRS rates use a twelve-month average of customer counts for the period October 2007 through September 2008, which is consistent with the customer counts used in previous ISRS filings.

Attachment 1 reflects Staff's proposed ISRS rates.

While Laclede and Staff agree on the revised revenue requirement to be incorporated into the calculation, Staff's ISRS rate in its interruptible customer class differs from Laclede's proposal by 1 cent per month. The remaining ten ISRS rates are identical to Laclede's request.

The Staff has verified that this company 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

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

1. Rejects the ISRS tariff sheet (YG-2009-0760) filed by Laclede on April 28, 2009;
2. Approves the Staff's determination of the ISRS surcharge increment in the amount of annual pre-tax revenues of \$2,473,240; and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment 1.

LACLEDE GAS COMPANY
CASE NO. GO-2009-0389
ISRS RATE DESIGN

Staff's Total ISRS Revenue Calculation

\$8,093,710

<u>Customer Rate</u>	<u>Cust # Sept. 08</u>	<u>Customer Charge</u>	<u>Ratio To Res</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>ISRS Charge</u>	<u>ISRS Revenues</u>
Residential	599,857	\$15.50	1	599,857	87.65%	\$0.99	\$7,094,194
Com & Ind. Class 1	31,237	\$20.25	1.306452	40,810	5.96%	\$1.29	\$482,634
Com & Ind. Class 2	9,518	\$32.25	2.080645	19,804	2.89%	\$2.05	\$234,207
Com & Ind. Class 3	668	\$64.50	4.16129	2,780	0.41%	\$4.10	\$32,875
Large Volume	93	\$720.00	46.45161	4,320	0.63%	\$45.78	\$51,090
Interruptible	15	\$640.00	41.29032	619	0.09%	\$40.69	\$7,325
Transportation	146	\$1,703.00	109.871	16,041	2.34%	\$108.28	\$189,710
Transportation - Other	0	\$1,376.00	88.77419	0	0.00%	\$0.00	\$0
Gas Light	107	\$4.70	0.303226	32	0.00%	\$0.30	\$384
Vehicular Fuel	4	\$18.20	1.174194	5	0.00%	\$1.16	\$56
Liquid Propane	120	\$13.50	0.870968	105	0.02%	\$0.86	\$1,236
	<u>641,765</u>			<u>684,372</u>	<u>100.00%</u>		<u>\$8,093,710</u>

collected will be true-up at a later date.

ATTACHMENT 1

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-2009-0389

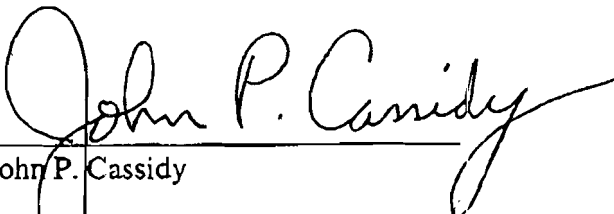
AFFIDAVIT OF JOHN P. CASSIDY

STATE OF MISSOURI)

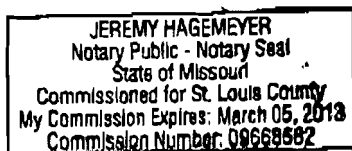
COUNTY OF St. Louis)


ss.

John P. Cassidy, 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.


John P. Cassidy

Subscribed and sworn to before me this 25th day of June, 2009.




Notary Public

Susan L. Sundermeyer
Notary Public