

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2012-0145, File No. YG-2012-0209, Laclede Gas Company

FROM: Roberta Grissum - Auditing
Michael Stahlman, Energy - Tariffs / Rate Design

/s/Tom Imhoff 1-4-12 /s/Lera Shemwell 1-4-12
Energy Unit/Date Staff Counsel's Office/Date

SUBJECT: Staff Report and Recommendation **to Approve** an increase in Laclede Gas Company Infrastructure System Replacement Surcharges

DATE: January 4, 2012

BACKGROUND

On November 9, 2011, Laclede Gas Company ("Laclede" or "the Company") filed with the Missouri Public Service Commission ("the 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 as currently supplemented)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.

Laclede currently has infrastructure system replacement surcharge ("ISRS") rates that generate \$4,810,811 annually. Existing Laclede ISRS rates were established in Case Nos. GO-2011-0058 on January 7, 2011, and GO-2011-0361 on July 8, 2011.

On November 14, 2011, the Commission issued "Order Directing Notice, and Setting Intervention Date". The intervention date was set for December 5, 2011.

On December 7, 2011, the Commission issued "Order Directing Filing of Staff Report" stating that Staff shall file its report or "a pleading stating when it plans to file its report and whether it wishes the Commission to suspend the tariff, no later than December 16, 2011."

On December 15, 2011, the Staff filed "Staff Response to Order Directing Filing of Staff Report" stating Staff's expectation of filing its final Report no later than January 5, 2012, and that a suspension would only be necessary in the event of complications in the way the case proceeds. This report is in response to the Commission directive and within the expectations of the Staff response.

STAFF REVIEW AND REVENUE CALCULATION

¹ Unless otherwise noted, all references to statutes refer to the Missouri Revised Statutes 2000, as currently supplemented.

Laclede's last ISRS filing requested recovery of infrastructure replacement costs for the period December 1, 2010 through May 31, 2011. In this proceeding, Laclede filed to recover ISRS qualifying infrastructure replacement costs incurred during the period June 1, 2011 through September 30, 2011, and pro-forma costs through November 30, 2011. This request is consistent with the method used to calculate the ISRS rate approved in Laclede's previous ISRS filing, Case No. GO-2011-0361. This is also consistent with Staff's view that the calculation of the ISRS surcharge should closely reflect the revenue requirement that will exist on the effective date of the ISRS rates. In this proceeding, the effective date of the tariff for the new ISRS rate submitted by the Company is currently set as January 13, 2012, which reflects expedited treatment.

The Auditing Unit Staff has reviewed Laclede's ISRS application including all supporting workpapers and calculations, an audit sample of work orders, and coordinated with Laclede personnel to gain clarification when necessary. Staff also reviewed the Company's updated calculations for qualifying ISRS eligible plant placed into service during October and November 2011 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 the 120-day effective date, which in this proceeding is February 28, 2012. This methodology is consistent with past reviews conducted by the Auditing Unit Staff.

This case is Laclede's third ISRS filing following its most recent rate case, Case No. GR-2010-0171. The ISRS revenue requirement approved by the Commission in Laclede's first ISRS filing, Case No. GO-2011-0058, was \$2,490,876 annually. The Commission approved an annual ISRS revenue requirement of \$2,319,935 in Case No. GO-2011-0361. In this case, the Auditing Unit Staff is recommending an annual ISRS revenue requirement of \$1,953,734 be approved for Laclede's third 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. Therefore, the Auditing Unit Staff presents ISRS rates presented below summarized on a cumulative basis and projected to be recovered on an annual basis as follows:

Cumulative ISRS Revenue Requirement		
ISRS Revenue Requirement #1	\$ 2,490,876	
(GO-2011-0058)		
ISRS Revenue Requirement #2	\$ 2,319,935	
(GO-2011-0361)		
Sub-Total of ISRS Revenue		\$ 4,810,811
ISRS Revenue Requirement #3	\$ 1,953,734	
(GO-2012-0145)		
Total of ISRS Revenue		\$ 6,764,545

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 those that Laclede provided as part of its most current annual report. This is a revision from the customer count that Laclede used to calculate its proposed rates. 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.

STAFF 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-2012-0209) filed by Laclede on November 9, 2011;
2. Approves the Staff's recommended ISRS surcharge revenues in the incremental amount of annual pre-tax revenues of 1,953,734; and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B, which generates \$6,764,545.

Laclede

CASE NO. GO-2012-0145

FILE NO. YG-2012-0290

Company's Total ISRS Revenues

\$6,764,545

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	599,640	\$19.50	1.0000	599,640	88.1553%	\$0.83	\$5,963,303
C&I Class I	31,014	\$25.50	1.3077	40,557	5.9624%	\$1.08	\$403,329
C&I Class II	9,386	\$40.50	2.0769	19,494	2.8659%	\$1.72	\$193,864
C&I GS Class III	695	\$81.00	4.1538	2,887	0.4244%	\$3.44	\$28,710
Large Volume Service	83	\$800.00	41.0256	3,405	0.5006%	\$34.00	\$33,863
Interruptible	18	\$710.00	36.4103	655	0.0964%	\$30.17	\$6,518
General L.P. Gas Service	53	\$17.00	0.8718	46	0.0068%	\$0.72	\$460
Unmetered Gas Light	100	\$5.20	0.2667	27	0.0039%	\$0.22	\$265
Vehicular Fuel Rate	4	\$20.20	1.0359	4	0.0006%	\$0.86	\$41
Large Vol Trans & Sales	139	\$1,893.00	97.0769	13,494	1.9838%	\$80.45	\$134,192
TOTAL	641,132			680,209	100.0000%		\$6,764,545

* Due to rounding to the nearest penny, the designed ISRS reates will over collect by \$7,562
However, it should be noted that the total amount collected will be true-up at a later date

BEFORE THE PUBLIC SERVICE COMMISSION

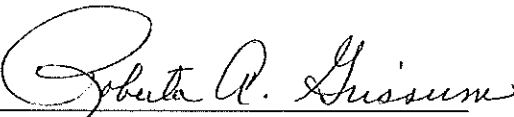
OF THE STATE OF MISSOURI

In the Matter of the Verified Application and)
Petition of Laclede Gas Company to Change) Case No. GO-2012-0145
its Infrastructure System Replacement)
Surcharge)


AFFIDAVIT OF ROBERTA A. GRISSUM

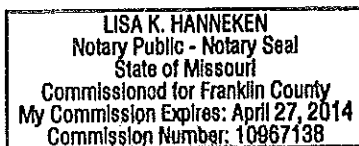
STATE OF MISSOURI)
)
COUNTY OF Saint Louis) ss.

Roberta A. Grissum, 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 his knowledge and belief.


Roberta A. Grissum

Subscribed and sworn to before me this 3rd day of JANUARY, 2012.


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)	Case No. GO-2012-0145
Change its Infrastructure System)	File No. YG-2012-0209
Replacement Surcharge)	

AFFIDAVIT OF MICHAEL STAHLMAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael Stahlman, 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 Stahlman

Subscribed and sworn to before me this 4th day of January, 2012.





Notary Public