

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

<b>In the matter of the Verified Application</b>	)	
<b>and Petition of Laclede Gas Company for</b>	)	<b><u>Case No. GO-2006-0377</u> Establishment of</b>
<b>an Infrastructure System Replacement</b>	)	<b>Tariff No. YG-2006-0747</b>
<b>Surcharge.</b>	)	

**STAFF MEMORANDUM**

**COMES NOW** the Staff of the Commission and respectfully submits its Memorandum concerning the Application for Establish an Infrastructure System Replacement Surcharge (ISRS) filed by Laclede Gas Company's (Laclede). Staff states that:

1. On March 31, 2006, Laclede filed its Verified Application and Petition For Establishment of an ISRS with the Missouri Public Service Commission.

2. Laclede submitted its Application based upon Missouri statutory sections in Chapter 393 RSMo, authorizing (ISRS).

3. On April 6, 2006, the Commission suspended Laclede's tariff for 120 days, until July 29, 2006, in accord with statutory provisions. Sections 393.1009, 393.1012 and 393.1015 RSMo (2003).

4. On April 27, 2006, the Commission issued its Order Directing Filing. This Order directed Staff to file a Staff Report by May 30, 2006.

5. Staff's Memorandum is attached hereto as Attachment A and incorporated by reference. Laclede requesting \$2,027,771 in additional revenues to be generated by ISRS rates. Staff's review shows that while Laclede's cost support does not support the proposed rates but does justify a revised revenue requirement of \$1,820,481. Staff also recommends that future ISRS filings utilize an average level of customers since an average level of customers is more

reflective of the billing units in the period in which the ISRS charge will be in effect rather than the customer count for a single month as reported in Laclede's Annual Report. Staff's calculation method results in rates more likely to produce revenues consistent with the appropriate ISRS revenue requirement.

6. Staff recommends that the pending tariff sheets be rejected and replaced with ISRS rates consistent with Staff's Recommendation in Attachment A.

**WHEREFORE**, for the foregoing reasons, Staff respectfully requests that the Commission accept Staff's recommendations in this case, and issue its Order consistent with Staff's recommendations.

Respectfully submitted,

DANA K. JOYCE  
General Counsel

**/s/ Robert V. Franson**

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 19<sup>th</sup> day of May, 2006.

**/s/ Robert V. Franson**

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GO-2006-0377, File No. YG-2006-0747  
Laclede Gas Company

FROM: Michael J. Ensrud, Energy – Tariffs/Rate Design  
Hagemeyer, Jeremy - Auditing

/s/Thomas Imhoff 05/18/06

Energy Department/Date

/s/Robert Franson 05/18/06

General Counsel's Office/Date

SUBJECT: Staff Recommendation on the initial Tariff Sheet filed to Effectuate the First  
Reiteration of Laclede's ISRS Rates - YG-2006-0747

DATE: May 18, 2006

On March 31, 2006, Laclede Gas Company (Laclede or Company) of St. Louis, Missouri, filed a tariff sheet with the Missouri Public Service Commission (Commission) with a proposed effective date of May 1, 2006. This tariff sheet (File No YG-2006-0747) proposed to establish ISRS rates. The plant and the revenue requirement associated with prior ISRS rates were rolled into base rates as part of Laclede's rate case proceeding – GR-2005-0284, and none are in place today. The Commission suspended the proposed tariff sheet on April 6, 2006. This tariff filing was suspended until July 29, 2006.

Laclede is requesting \$2,027,771 in additional revenues to be generated by ISRS rates. Staff's review of Laclede's cost support does not justify the rates initially proposed, but does justify a revised revenue requirement of \$1,820,481. Both amounts include an adjustment for over recovery of revenues through previous ISRS rates of \$119,621.

Staff's major adjustment was related to income tax expense. In the Staff's calculation it eliminated income tax expense by deducting the applicable Section 263A Transfers capitalized and the Transfers of Service. Staff then averaged its calculation with Laclede's, following the procedure from the Stipulation and Agreement in GR-2005-0284, resulting in a revenue requirement of \$1,940,102, before the reduction for the \$119,621 over recovery.

The Staff has reviewed Laclede's tariff filing YG-2006-0747 and has determined that those ISRS rates proposed need to be adjusted to reflect the reduced revenue requirement. Therefore, the pending tariff sheet needs to be rejected, and replaced with ISRS rates commensurate with those provided in Staff's Attachment 1. These forthcoming ISRS rates should be allowed to go into effect upon Commission approval of the resubmitted rates. Staff's proposed changes bring Laclede's filing into compliance with the Commission rules addressing ISRS.

In future Company filings, the Staff recommend that the most recent twelve-month average

customer counts be used to determine the ISRS rates. The Staff believes that an average level of customers is more reflective of the billing units in the period in which the ISRS charge will be in effect rather than the customer count for a single month, as reported in Laclede's Annual Report to the Commission. Laclede uses September as the basis for annual report purposes. Staff's method of calculation results in rates that are likely to produce revenues that are consistent with the revenue requirement deemed appropriate in this proceeding.

The revised ISRS tariff sheet should be designated:

P.S.C. MO. No. 5

Sixth Revised SHEET No. 12, Cancelling Fifth SHEET No. 12

The Staff has verified that this company has filed its 2005 annual report and that Laclede 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.

Copies: Director - Utility Operations Division  
Director - Utility Services Division  
Public Information Administrator  
General Counsel  
Manager - Procurement Analysis Department  
Manager - Energy Department  
Michael Cline, Director-Tariff and Rate Administration (Laclede)  
Kenneth J. Neises, Executive Vice President-Energy & Administrative Services (Laclede)  
Michael Pendergast, Vice President-Associate General Counsel (Laclede)  
Office of the Public Counsel

**LACLEDE GAS COMPANY****CASE NO. GO-2006-0377**

ISRS RATE DESIGN

ISRS RATE FILING NO.1

Staff's Total ISRS Revenue Calculation  
Initial ISRS**\$1,820,481**

<b>Customer Rate Class</b>	<b>Cust # Sept. 03</b>	<b>Customer Charge</b>	<b>Ratio To Res</b>	<b>Weighted Cust #</b>	<b>Customer Percentage</b>	<b>ISRS Charge</b>	<b>ISRS Revenues</b>
Residential	588,927	12.00	1.0000	588,927	87.3304%	<b>\$0.22</b>	\$1,589,833
Com & Ind. Class 1	30,326	15.75	1.3125	39,803	5.9023%	<b>\$0.30</b>	\$107,450
Com & Ind. Class 2	9,276	25.00	2.0833	19,325	2.8657%	<b>\$0.47</b>	\$52,169
Com & Ind. Class 3	663	50.00	4.1667	2,763	0.4096%	<b>\$0.94</b>	\$7,457
Large Volume	93	625.00	52.0833	4,844	0.7183%	<b>\$11.72</b>	\$13,076
Interruptible	16	550.00	45.8333	733	0.1087%	<b>\$10.31</b>	\$1,980
Transportation	144	1,473.00	122.7500	17,676	2.6211%	<b>\$27.61</b>	\$47,717
Transportation - Other	1	1,190.00	99.1667	99	0.0147%	<b>\$22.31</b>	\$268
Gas Light	112	4.10	0.3417	38	0.0057%	<b>\$0.08</b>	\$103
<i>Vehicular Fuel</i>	5	15.70	1.3083	7	0.0010%	<b>\$0.29</b>	\$18
Liquid Propane	159	11.50	0.9583	152	0.0226%	<b>\$0.22</b>	\$411
<b>TOTAL</b>	<u>629,722</u>			<u>674,367</u>	<u>100.0000%</u>		<u>\$1,820,481</u>

\* Due to rounding to the nearest penny, the designed ISRS rates will under collect by \$33,163. However, it should be noted that the total amount collected will be true-up at a later date.