

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

In the Matter of Laclede Gas Company's)
Tariffs Designed to Permit Early Imple-)
mentation of Cold Weather Rule Pro-)
visions and to Permit Laclede to)
Collect Bad Debt through the PGA.)

Case No. GT-2009-0026
Tariff File No. JG-2009-0033

Suggestions in Support of
Motion to Reject Tariff and to Dismiss Docket

COMES NOW the Staff of the Missouri Public Service Commission and, for its Suggestions in Support of Motion to Reject Tariff and to Dismiss Docket, states as follows:

1. On July 9, 2008, Laclede Gas Company (Laclede or Company) filed tariff sheets designed to permit Laclede to collect a portion of its bad debts through the Purchased Gas Adjustment (PGA).

2. The tariff sheet also requested Laclede be permitted to implement cold weather rule requirements early. This tariff provision request is now moot because the heating season begins November 1.

3. Laclede's request to move bad debt expense to the PGA must be rejected as single issue ratemaking. Missouri's prohibition against single issue ratemaking bars the Commission from allowing a public utility to change an existing rate without consideration of all relevant factors such as operating expenses, revenues, and rates of return. § 392.240.1; *State ex rel. Mo. Water Co. v. Pub. Serv. Comm'n*, 308 S.W.2d 704, 718-720 (Mo.1957); *State ex rel. Util. Consumers Council of Mo., Inc. v. Pub. Serv. Comm'n*, 585 S.W.2d 41, 56-58 (Mo.banc 1979).

4. The PGA permits natural gas utilities to pass direct gas costs through to consumers outside of a general rate case and is permissible only because, the Commission has considered the PGA and its impact on operating expense, rate of return and any other relevant factors in a full rate case.

5. Laclede witness Michael Cline admits in his Direct testimony that bad debt recovery is already “built into” the Company’s existing rates. (Cline Direct, p. 4, ls. 3-6).

6. Laclede’s last rate case, Case No GR-2007-0208, resulted in a “black box” settlement. There was no specific cost determination for bad debts in that Stipulation and Agreement. Mr. Cline may not now arbitrarily and unilaterally assign a specific level of revenue increase for bad debt expenses. (Cline Direct, p. 4, ls. 5-14).

7. Commission approval of this tariff would mean *any* expense agreed to in a rate case could, at a later date, be plucked from the rate case, estimated, and then tracked against actual amounts.

8. The fact that a cost may change between rate cases cannot justify removing a single cost item for special treatment of that individual cost outside a full rate case proceeding. (Cline Direct, p. 4, ls. 19-20).

9. The primary point is bad debt cost is already included in Laclede’s base rates. In his testimony Mr. Cline does not propose to change the base rates. He just proposes a different treatment for one particular cost item.

10. This proposed tariff change is properly considered only in a rate case. The Courts have found single issue ratemaking to be an abdication of the Commission’s duty to consider all relevant factors in setting rates. Specifically, *Utility Consumers*

Council found this violates Section 393.270.4, which requires the Commission to consider all relevant factors:

In determining the price to be charged for gas, electricity, or water the commission may consider all facts which in its judgment have any bearing upon a proper determination of the question although not set forth in the complaint and not within the allegations contained therein, with due regard, among other things, to a reasonable rate of return upon capital actually expended and to the necessity of making reservations out of income for surplus and contingencies.

State ex. rel. Missouri Water Co. v. Public Service Comm'n, 308 S.W.2d 704, 719 (Mo.1957).

11. Contrary to Mr. Cline's assertion the intent of the PGA clause is to permit recovery of all gas costs, (Cline Direct at p. 6, ls 1-3), the Courts have stated that the automatic adjustment is limited to direct gas costs, specifically finding: "[w]hile the technicalities of Missouri's PGA clause have varied over the years, the clause's basic function has remained the same: a PGA clause allows a local distribution company to automatically adjust the rates it charges its customers **in proportion to the change in the rate the local distribution company is charged by its wholesale suppliers.**" *State ex rel. Midwest Gas Users' Ass'n v. Public Service Comm'n*, 976 S.W.2d 470 (Mo.App. W.D. 1998) (emphasis added).

12. Bad debt costs are not part of the rate Laclede is charged by its wholesale supplier for natural gas.

13. Laclede witness, Glenn Buck also admits bad debt is included in "overall revenue requirement approved in a general rate case proceeding." (Buck Direct, p. 3, ls. 6-16).

14. Despite this admission, Mr. Buck asks the Commission to address a single cost item in the overall revenue requirement developed and agreed to by Laclede in the last rate case, outside a rate case.

15. The argument that the current approach to estimating this cost is based on an estimate carries no weight. All revenue requirement costs are based on a test year and are estimates of future costs. This single cost item may not be addressed except in a full rate case. *State ex rel. Midwest Gas Users' Ass'n v. Public Service Comm'n*, 976 S.W.2d 470, 480 (Mo. App., W.D. 1998).

16. Similarly, the suggestion that volatility of costs justifies consideration of a single item outside a rate case is unavailing. Mr. Buck admits limited volatility of these costs “ha[s] not been as significant in the last few years.” (Buck Direct, p. 6, ln 1).

17. Laclede offers nothing to overcome the prohibition on single issue ratemaking and the legal requirement the Commission consider all relevant factors “so that both cost increases and offsetting savings can be considered in setting just and reasonable rates.” *State ex rel. Utility Consumers Council, Inc. v. Public Service Commission*, 585 S.W.2d 41, 52-54 (Mo. banc 1979); *State ex rel. Missouri Water Company v. Public Service Commission*, 308 S.W.2d 704, 718-720 (Mo. 1957); § 392.240.1, RSMo.

18. Mr. Buck’s and Mr. Cline’s arguments are properly made in a rate case. There is nothing precluding Laclede from suggesting an alternative treatment of bad debt expense in its next rate case where the Commission may properly consider all relevant factors.

WHEREFORE, for all the reasons noted above, Staff prays that the Commission suspend the procedural schedule, reject the proposed tariff, File No. JG-2009-0033, the cold weather rule tariff section as moot and the bad debt proposal as single issue ratemaking, dismiss this docket, and grant such other and further relief as is just in the circumstances.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been emailed, mailed, hand-delivered, or transmitted by facsimile to all counsel of record this **22nd day of October 2008**.

/s/ Lera L. Shemwell