

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

In the Matter of the Application of Laclede Gas)	
Company for Establishment of an Infrastructure)	<u>File No. GO-2011-0058</u>
System Replacement Surcharge.)	Tariff No. YG-2011-0225

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through its attorney, and submits to the Missouri Public Service Commission (“Commission”) its *Staff Recommendation* as follows:

1. On October 29, 2010, Laclede Gas Company (“Laclede” or “Company”) filed an Application and Petition (“Application”) under Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri Supp. 2004, to change its tariff rate for the Infrastructure System Replacement Surcharge (“ISRS”).

2. Laclede requests an adjustment to its rates and charges through the implementation of an ISRS rate schedule that provides for the recovery of costs incurred in connection with ISRS-eligible infrastructure system replacements made during the period beginning April 1, 2010, through September 20, 2010. Laclede has applied for an ISRS revenue increase of \$ 2,570,494.

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 accordance with Staff's November 17, 2010, Staff Report, the Staff Auditing and Energy Departments have evaluated Laclede's Application, supporting documentation, and additional data provided by the Company.

5. In Staff's Memorandum, attached hereto as Attachment A and incorporated by reference herein, Staff recommends that Laclede receive an incremental ISRS revenue increase of \$2,490,876. Staff's recommendation is based upon the Company's supplemental data which amended its original estimate of plant for the period October 1, through November 30, 2010, to the actual amount placed in service. Staff's recommended ISRS rates by customer class are contained in Attachment B, attached hereto and incorporated by reference herein.

6. Staff has verified that the Company has filed its annual report and is not delinquent on any Commission assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

WHEREFORE Staff recommends that the Commission issue an order:

- 1) Rejecting the ISRS tariff sheet (YG-2011-0225) filed by Laclede on October 29, 2010;
- 2) Approving Staff's determination that the appropriate revenue requirement is pre-tax revenues of \$2,490,876 annually; and
- 3) Authorizing Laclede to file an ISRS rate for each customer class as reflected in Attachment B. These rates are projected to produce \$2,490,876 annually and are consistent with the revenue requirement established in this case.

Respectfully submitted,

/s/ Meghan E. McClowry

Meghan E. McClowry

Legal Counsel

Missouri Bar No. 63070

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Missouri Public Service Commission

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, emailed, sent by facsimile or hand-delivered to all counsel of record this 28^h day of December, 2010.

/s/ Meghan E. McClowry

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2011-0058, File No. YG-2011-0225, Laclede Gas Company

FROM: Lisa Hanneken - Auditing
Michael J. Ensrud, Energy – Tariffs / Rate Design

/s/ Tom Imhoff 12-28-10
Energy Department/Date

/s/ Meghan McClowry 12-28-10
Staff Counsel's Office/Date

SUBJECT: Staff Report and Recommendation Regarding the Verified Application and
Petition of Laclede Gas Company to Establish an Infrastructure System
Replacement Surcharge

DATE: December 28, 2010

BACKGROUND

On October 29, 2010, 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 for Establishment of an 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.

Laclede currently has no ISRS rates. Laclede's ISRS rates were reset to zero in Case No. GR-2010-0171 on September 1, 2010.

On November 4, 2010, the Commission issued its "Order Directing Notice, Directing Filing, and Setting Intervention Date."

On November 5, 2010, the Commission issued "Notice of Correction" stating Laclede intends to update the filing to include data reflecting activity through November 30, 2010.

On November 16, 2010, Laclede submitted "Request for Approval of Customer Notices", as referenced in the initial application, and in the Commission's November 4 order. Laclede's submission is in compliance with notice requirements placed in the Commission's order.

On November 17, 2010, Staff submitted its "Status Report", indicating that Staff's anticipated recommendation filing will be no later than December 28, 2010.

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

On December 15, 2010, Laclede filed its notice of extending the “tariff’s effective date”. This submission seeks to extend the effective date of Laclede’s ISRS filing by two days, to January 7, 2011. Staff has no objection to Laclede’s requested effective date.

STAFF’S INVESTIGATION

In its initial submission, Laclede sought ISRS rates commensurate with qualifying activity for the period beginning April 1, 2010, through September 30, 2010. Subsequently, Laclede updated the filing to include activity through November 30, 2010. The impact of these revisions equals a reduction to Laclede’s initial submission by \$79,618 annually.

The Staff recommends a revenue requirement of \$2,490,876, which is \$79,618 less than Laclede’s initially-filed amount. This variance represents the difference between the actual “October through November” plant activities versus the Company’s filed estimate.

These revisions in the requested revenue requirement results in a decrease - from the initially-filed \$2,570,494 annually, to \$2,490,876 annually. The Commission’s acceptance of these revisions will void Laclede’s initially- filed ISRS rates incorporated in YG-2011-225.

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-2011-0058, 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 April 1 through September 30, 2010. Laclede also requested recovery of pro-forma ISRS costs through November 30, 2010. Laclede’s request to include all ISRS eligible plant placed into service through November 30, 2010, is consistent with the method used to calculate the ISRS rate approved in Laclede’s previous ISRS filings, Case Nos. GO-2009-0221, GO-2009-0389 and GO-2010-0212. 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.

In response to Laclede’s current ISRS filing, the Staff reviewed Laclede’s ISRS application, all supporting workpapers and calculations, samplings of work orders, and participated in meetings and discussions with Laclede personnel. Subsequent to the original filing, Laclede also provided to the Staff, for its review, updated calculations that reflected qualifying ISRS eligible plant that was placed into service during the months of October and November 2010.

Laclede’s ISRS filing in Case No. GO-2011-0058 represents its first ISRS filing since the conclusion of its most recent rate case proceeding, Case No. GR-2010-0171. Upon the September 1, 2010 effective date of rates that were ordered by the Commission in Case No. GR-2010-0171, all ISRS rate surcharge revenues formerly collected through the previous ISRS surcharge by Laclede (as authorized by the Commission in ISRS Case Nos. GO-2008-0155, GO-2009-0221, GO-2009-0389 and GO-2010-0212) were reset to zero and became part of Laclede’s permanent general retail rates. However, a final reconciliation of the ISRS revenue

previously collected by the Company is required to ensure that either the Company or its customers are made whole for any under-collections or over-collections that may have occurred. Based upon this reconciliation, the Staff verified that the Company had over-collected ISRS related revenues from its customers by an amount of \$143,905 during the period October 1, 2007 through August 31, 2010, that represents the time period during which the Company's previous ISRS was in effect. This amount of over-collection has been reflected in an adjustment to Laclede's overall ISRS revenue requirement calculation in this proceeding. Based upon its review and all of its calculations, the Staff is recommending that Laclede receive ISRS revenues of \$2,490,876.

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.

Laclede has submitted its customer-count (for calculation purposes) based on an average of monthly billing that occurred between October 2009 and September 2010.

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

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

1. Rejects the ISRS tariff sheet (YG-2011-0225) filed by Laclede on October 29, 2010;
2. Approves Staff's determination that the appropriate revenue requirement is pre-tax revenues of \$2,490,876 annually; and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B. These rates are projected to produce \$2,490,876 annually and are consistent with the revenue requirement established in this case.

LACLEDE GAS COMPANY
CASE NO. GO-2011-0058
ISRS RATE DESIGN

Staff's Total ISRS Rev Req

\$2,490,876.00

<u>Customer Rate</u>	<u>Cust # Sept. 10</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	598,823	\$19.50	1.0000	598,823	88.12%	\$0.31	\$2,195,050
Com & Ind. Class 1	30,957	\$25.50	1.3077	40,482	5.96%	\$0.40	\$148,392
Com & Ind. Class 2	9,466	\$40.50	2.0769	19,660	2.89%	\$0.63	\$72,066
Com & Ind. Class 3	681	\$81.00	4.1538	2,829	0.42%	\$1.27	\$10,369
Large Volume	83	\$800.00	41.0256	3,405	0.50%	\$12.53	\$12,482
Interruptible	18	\$710.00	36.4103	655	0.10%	\$11.12	\$2,402
Transportation	140	\$1,893.00	97.0769	13,591	2.00%	\$29.65	\$49,818
Transportation - Other	0	\$1,531.00	78.5128	0	0.00%	\$0.00	\$0
Gas Light	101	\$5.20	0.2667	27	0.00%	\$0.08	\$99
Vehicular Fuel	4	\$20.20	1.0359	4	0.00%	\$0.32	\$15
Liquid Propane	57	\$17.00	0.8718	50	0.01%	\$0.27	\$182
	<u>640,330</u>			<u>679,526</u>	<u>100.00%</u>		<u>\$2,490,876</u>

* Due to rounding to the nearest penny, the designed ISRS rates will over-collect by \$32,271. However, it should be noted that the total amount collected will be true-up at a later date.

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Company for Establishment of an Infrastructure)
System Replacement Surcharge)

Case No. GO-2011-0058

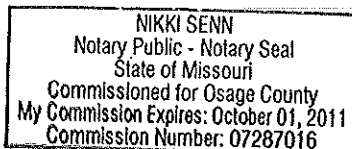
AFFIDAVIT OF LISA K. HANNEKEN

STATE OF MISSOURI)
)
COUNTY OF CoLa) ss.

Lisa K. Hanneken, 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.


Lisa K. Hanneken

Subscribed and sworn to before me this 27th day of December, 2010.




Notary Public

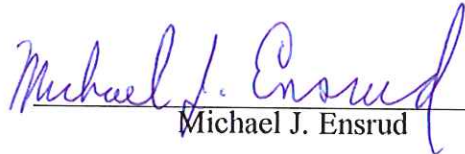
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)	
Laclede Gas Company for Establishment)	Case No. GO-2011-0058
of an Infrastructure System Replacement)	YG-2011-0225
Surcharge)	

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 27th day of December, 2010.





Notary Public