

**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	)	<b><u>File No. GO-2012-0145</u></b>
Infrastructure System Replacement Surcharge	)	Tariff File No. YG-2012-0209

**STAFF RESPONSE TO ORDER  
DIRECTING FILING OF STAFF REPORT**

1. On November 9, 2011, Laclede Gas Company (Laclede) filed a Verified Application with the Commission, requesting authorization to establish an Infrastructure System Replacement Surcharge (ISRS) for numerous gas utility plant projects in Missouri as allowed by Missouri Statute Sections 393.1009, 393.1012 and 393.1015, (RSMo 2000 as currently supplemented).

2. Attached is Staff's Report, which recommends the Laclede Gas Company's ("Laclede") proposed ISRS filing be approved only as discussed below.

3. 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. Laclede's request is consistent with Staff's method used to calculate the ISRS rate approved by the Commission in Laclede's previous ISRS filing, Case No. GO-2011-0361.

4. Staff's Recommendation is also consistent with Staff's view that the calculation of an ISRS surcharge should closely reflect the Company's revenue requirement that will exist on the effective date of the ISRS rates.

5. The Auditing Unit Staff has reviewed Laclede's ISRS application including all supporting workpapers and calculations, an audit sample of work orders, and has coordinated with Laclede personnel for additional information 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.

6. The methodology used by the Auditing Unit Staff allows Staff to consider all accumulated depreciation and deferred income taxes on ISRS qualifying 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.

7. 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 is recommending a total revenue requirement for Laclede's ISRS surcharge of \$6,764,545, which is \$88,987 less than Laclede's proposed requirement. The incremental amount for this case is \$1,953,734.

8. Based upon its analysis of Laclede's Application, and other information obtained during Staff's review, the Staff recommends the Commission issue its order in this case that:

A. Rejects the ISRS tariff sheet (YG-2012-0209) filed by Laclede on November 9, 2011;

B. Approves the Staff's recommended ISRS surcharge revenues in the incremental amount of annual pre-tax revenues of \$1,953,734; and

C. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B to Staff's Recommendation.

Respectfully submitted,

**/s/ Lera L. Shemwell**\_\_\_\_\_

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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 4<sup>th</sup> day of January 2012.

**/s/ Lera L. Shemwell**\_\_\_\_\_