

**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>Case No. GO-2010-0212</u></b>
Infrastructure System Replacement Surcharge	)	Tariff No. YG-2010-0455

**STAFF RECOMMENDATION**

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”), by and through counsel, and for its Staff Recommendation in Case No. GO-2010-0212 states as follows:

1. On January 15, 2010, Laclede Gas Company (“Laclede” or “the Company”) filed in this case its Verified Application and Petition of Laclede Gas Company to Change its Infrastructure System Replacement Surcharge (“Application”), seeking to adjust the amount of its Infrastructure System Replacement Surcharge (“ISRS”) in order to recover ISRS qualifying plant placed in service from January 1, 2010 through February 28, 2010. In conjunction with its Application, Laclede filed a tariff sheet, designated as Tariff File No. YG-2010-0455, reflecting an increase of \$3,244,969 in Laclede’s currently-generated ISRS revenues.

2. On January 26, 2010, the Commission issued its Order Setting Deadline for Staff Recommendation, directing Staff to file its recommendation in this matter by March 12, 2010.

3. On January 27, 2010, the Commission issued its Order Suspending Tariff, suspending the tariff sheet filed by Laclede on January 15, 2010 until May 15, 2010.

4. Laclede’s Application and the relief requested therein is governed by sections 393.1009, 393.1012, and 393.1015, RSMo (2000)<sup>1</sup>, as well as Commission Rule 4 CSR 240-3.265. These statutes and this rule allow gas corporations to recover certain infrastructure replacement costs, outside of a formal rate case filing, through a surcharge on customers’ bills.

---

<sup>1</sup> Unless otherwise noted, all references to statute refer to the Missouri Revised Statutes 2000, as currently supplemented.

5. Commission Staff from the Auditing and Energy Departments participated in the investigation of Laclede's Application, which included a review of the Application, the documentation provided in support of the Application, sections 393.1009, 393.1012 and 393.1015, and all applicable Commission rules.

6. 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 \$2,818,150. Staff's recommendation is based upon Staff's verification of ISRS qualifying plant placed into service during the period of June 1, 2009 through January 31, 2010. If accepted, Staff's recommendation will result in a composite ISRS revenue requirement of \$10,911,860. Staff's recommended ISRS rates by customer class are contained in Attachment B, attached hereto and incorporated by reference herein.

7. 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**, pursuant to Staff's investigation into Laclede's Application, Staff recommends the Commission issue an order that (1) rejects the ISRS tariff sheet (YG-2010-0455) filed by Laclede on January 15, 2010, (2) approves the Staff's determination of the ISRS surcharge increment in the amount of annual pre-tax revenues of \$2,818,150, and (3) authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B. These rates are projected to produce \$10,911,860 annually and are consistent with the cumulative revenue requirement presented in this case and past ISRS cases.

Respectfully submitted,

/s/ Eric Dearmont

Eric Dearmont

Assistant General Counsel

Missouri Bar No. 60892

Attorney for the Staff of the

Missouri Public Service Commission

P. O. Box 360

Jefferson City, MO 65102

(573) 751-5472 (Telephone)

(573) 751-9285 (Fax)

[eric.dearmont@psc.mo.gov](mailto:eric.dearmont@psc.mo.gov)

### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 12th day of March, 2010.

/s/ Eric Dearmont

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File,  
Case No. GO-2010-0212, File No. YG-2010-0455, Laclede Gas Company

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

/s/ Tom Imhoff 03-12-10

Energy Department/Date

/s/ Eric Dearmont 03-12-10

Staff Counsel's Office/Date

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

DATE: March 12, 2010

### **BACKGROUND**

On January 15, 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 to Change its Infrastructure System Replacement Surcharge (“Application”). Laclede’s Application, as filed, contains a proposed effective date of March 31, 2010. Laclede’s Application is governed by sections 393.1009 to 393.1015, RSMo (2000)<sup>1</sup> 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’s currently effective ISRS rates were reset in Case No. GO-2009-0389 and generate annual revenues of \$8,093,710. In conjunction with its Application in the current matter, Laclede filed a tariff sheet, designated as File No. YG-2010-0455, proposing to increase its currently established Infrastructure System Replacement Surcharge (ISRS) rates by \$3,244,969.

---

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

Laclede's proposed ISRS-related Revenue Requirement is comprised of the following:

<u>PAST FILINGS</u>	<u>Revenue Requirement</u>	<u>Tariff Page</u>
ISRS Revenue Requirement #1 (GO-2008-0155)	\$1,646,284	01/18/2008 to 6/26/2008
ISRS Revenue Requirement #2 (GO-2008-0351)	\$1,884,782	6/26/2008 to 2/6/2009
ISRS Revenue Requirement #3 (GO-2009-0221)	\$2,089,404	2/6/2009 to 7/16/2009
ISRS Revenue Requirement #4 (GO-2009-0389)	\$2,473,240	7/16/2009 to Present
Current ISRS Revenue Requirement	\$8,093,710	

**CURRENT ISRS FILING  
PROPOSED REVENUES**

<b>Proposed ISRS Revenue Requirement (GO-2010-0212)</b>	\$3,244,969
<b>Proposed Cumulative ISRS Revenue Requirement</b>	<u><u>\$11,338,679</u></u>

On January 26, 2010, the Commission issued its Order Setting Deadline for Staff Recommendation, directing Staff to file its recommendation by March 12, 2010.

This Memorandum is submitted by Staff in response to the Commission's January 26, 2010 order.

On January 27, 2019, the Commission issued an order suspending the proposed tariff until May 15, 2010.

**STAFF'S INVESTIGATION**

Staff members from the Commission's Auditing and Energy Departments participated in Staff's investigation into Laclede's Application. The Staff's investigation included a review of Laclede's Application, documentation provided in support of Laclede's Application, Sections 393.1009, 393.1012 and 393.1015, and applicable Commission rules.

## STAFF REVIEW AND REVENUE CALCULATION

In its Application, Laclede requests an adjustment to its ISRS rate schedule to reflect recovery for actual ISRS qualifying plant placed into service during the period covering June 1, 2009 through December 31, 2009. Laclede also requested the inclusion of estimated ISRS related plant for the time period January 1, 2010 through February 28, 2010.

Staff was able to verify additional ISRS qualifying plant placed into service as of January 31, 2010 and has included this additional amount in its recommendation.

Therefore, Staff's recommendation and ISRS rates reflect the actual ISRS investment placed into service during the period covering June 1, 2009 through January 31, 2010.

In response to Laclede's current ISRS filing, Staff reviewed Laclede's ISRS Application, all supporting work papers and calculations, and participated in meetings and discussions with Laclede personnel.

Based upon its review and calculations, Staff is recommending that Laclede's proposed revenue requirement be revised and the proposed ISRS rates be rejected. In its place, Staff recommends that Laclede receive an incremental ISRS revenue increase of \$2,818,150.

Staff's ISRS rates are computed by combining the overall annual ISRS-related revenue requirement from the current ISRS case (GO-2010-0212) with such requirements generated by the four previous ISRS cases (Case No.'s GO-2009-0221, GO-2008-0351, GO-2008-0155 and GO-2009-0389). Staff's proposed revisions and resulting ISRS rates are projected to recover an annual revenue requirement as follows:

PAST FILINGS		
ISRS Revenue Requirement #1 (GO-2008-0155)	\$1,646,284	
ISRS Revenue Requirement #2 (GO-2008-0351)	\$1,884,782	
ISRS Revenue Requirement #3 (GO-2009-0221)	\$2,089,404	
ISRS Revenue Requirement #4 (GO-2009-0389)	\$2,473,240	
<b>SUB-TOTAL PAST FILINGS</b>		<b>\$8,093,710</b>

<b>CURRENT FILING</b>		
Recommended ISRS Revenue Requirement #5 (CURRENT FILING)	\$2,818,150	
(GO-2010-0212)		
<b>RECOMMENDED COMPOSITE ISRS REVENUE REQUIREMENT</b>		<b>\$10,911,860</b>

### **THE ISRS RATE SCHEDULE**

Staff's recommendation reflects a composite amount of revenue requirement for ISRS qualifying plant which Laclede has not yet fully recovered from customers.

Laclede's proposed ISRS rates utilize a twelve-month average of customer count to reflect the period October 2008 through September 2009.

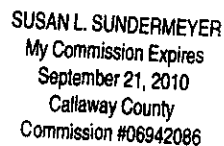
Staff's proposed rates are consistent with the methodology used to establish Laclede's ISRS rates and consistent with the overall methodology used to establish ISRS rates for other utilities. Staff's proposed ISRS rates are contained in Attachment B, attached hereto and incorporated by reference herein.

Staff has 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-2010-0455) filed by Laclede on January 15, 2010;
2. Approves the Staff's determination of the ISRS surcharge increment in the amount of annual pre-tax revenues of \$2,818,150; and
3. Authorizes Laclede to file an ISRS rate for each customer class as reflected in Attachment B. These rates are projected to produce \$10,911,860 annually and are consistent with the cumulative revenue requirement presented in this case and past ISRS cases.





**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 )  
Infrastructure System Replacement Surcharge )

Case No. GO-2010-0212

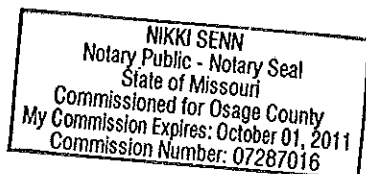
**AFFIDAVIT OF LISA K. HANNEKEN**

STATE OF MISSOURI     )  
                                      )  
COUNTY OF COLE     )     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 12<sup>th</sup> day of March, 2010.



  
Notary Public

LACLEDE GAS COMPANY  
CASE NO. GO-2010-0212  
ISRS RATE DESIGN

Attachment B

Staff's Total ISRS Rev Req \$10,911,860.00

<u>Customer Rate</u>	<u>Cust # Sept. 09</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	599,736	\$15.50	1.0000	599,736	87.66%	<span style="color: blue;">\$1.33</span>	\$9,565,345
Com & Ind. Class 1	31,118	\$20.25	1.3065	40,654	5.94%	<span style="color: blue;">\$1.74</span>	\$648,404
Com & Ind. Class 2	9,557	\$32.25	2.0806	19,885	2.91%	<span style="color: blue;">\$2.77</span>	\$317,147
Com & Ind. Class 3	673	\$64.50	4.1613	2,801	0.41%	<span style="color: blue;">\$5.53</span>	\$44,667
Large Volume	89	\$720.00	46.4516	4,134	0.60%	<span style="color: blue;">\$61.74</span>	\$65,937
Interruptible	17	\$640.00	41.2903	702	0.10%	<span style="color: blue;">\$54.88</span>	\$11,195
Transportation	147	\$1,703.00	109.8710	16,151	2.36%	<span style="color: blue;">\$146.03</span>	\$257,597
Transportation - Other	0	\$1,376.00	88.7742	0	0.00%	<span style="color: blue;">\$0.00</span>	\$0
Gas Light	102	\$4.70	0.3032	31	0.00%	<span style="color: blue;">\$0.40</span>	\$493
Vehicular Fuel	4	\$18.20	1.1742	5	0.00%	<span style="color: blue;">\$1.56</span>	\$75
Liquid Propane	72	\$13.50	0.8710	63	0.01%	<span style="color: blue;">\$1.16</span>	\$1,000
	<u>641,515</u>			<u>684,161</u>	<u>100.00%</u>		<u>\$10,911,860</u>

\* Due to rounding to the nearest penny, the designed ISRS rates will over-collect by \$8,303. However, it should be noted that the total amount collected will be true-up at a later date.