

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. GO-2008-0351, File No. YG-2008-0644, Laclede Gas Company

FROM: Michael J. Ensrud, Energy – Tariffs / Rate Design  
Roberta Grissum - Auditing

/s/ Thomas M. Imhoff 6/12/08                      /s/ Lera L. Shemwell 6/12/08  
Energy Department/Date                      General Counsel's Office/Date

SUBJECT: Staff Recommendation on the Tariff Sheet filed to implement the Eleventh  
adjustment to Laclede ISRS Rate - YG-2008-0644

DATE: June 12, 2008

### BACKGROUND

On April 25, 2008, 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 26, 2008. This tariff sheet (File No. YG-2008-0644) proposes to increase the currently established Infrastructure System Replacement Surcharge (ISRS) rates. The prior ISRS was reset to \$1,646,284 in Filing GO-2008-0155, which the Commission allowed to become effective January 18, 2008.

In its VERIFIED APPLICATION AND PETITION OF LACLEDE GAS COMPANY FOR ESTABLISHMENT OF AN INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE, Laclede states:

*8. With this application, Laclede requests an adjustment to its ISRS rate schedule to reflect costs incurred in connection with ISRS-eligible infrastructure system replacements made during the period beginning October 1, 2007 through March 31, 2008.*

On April 29, the Commission issued its ORDER DIRECTING NOTICE AND SETTING INTERVENTION DATE.

On April 29, the Commission issued a second order - ORDER SUSPENDING TARIFF - with an effective date of August 23, 2008.

In its April 29 ORDER, the Commission did not set a filing date for the Staff Recommendation. Staff relied upon the requirements set forth in the ISRS Rule: 4 CSR 240-3.265 Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges, which states:

*(11) The staff of the commission may examine the information of the natural gas utility provided pursuant to this rule and sections 393.1009 to 393.1015, RSMo, to confirm the underlying costs and proper calculation of the proposed ISRS, and **may submit a report regarding its examination to the commission not later than sixty (60) days after the natural gas utility files its***

***petition.** The staff shall not examine any other revenue requirement or ratemaking issues in its consideration of the petition or associated proposed rate schedules. (Emphasis added.)*

Based on this provision Staff must file its Memo on or before June 24, 2008.

The Commission issued ORDER GRANTING THE APPLICATION TO INTERVENE OF USW LOCAL 11-6 on May 20, 2008.

### **STAFF'S ANALYSIS**

Staff recommends that the proposed ISRS rates, which generate \$3,531,066 in revenues annually, be implemented. This is a composite amount. The Commission authorized ISRS rates, which produce \$1,646,284 annually, in GO-2008-0155. In addition, as part of the pending GO-2008-0351, Laclede may collect an incremental increase of \$1,884,782 - above the amount of the ISRS previously granted.

Using Staff's traditional method of calculating rates, Laclede's proposed rates are correct for the composite revenue requirement being sought in this case. The annual incremental increase of \$1,884,782 reflects ISRS-qualified infrastructure costs from October 1, 2007 through March 31, 2008.

Laclede's proposed ISRS rates are based on the twelve-month average of customer counts for the period October 2006 through September 2007.

The revised ISRS tariff sheet should be designated as:

P.S.C. MO. No. 5

Eleventh Revised Sheet No. 12, CANCELLING Tenth Sheet No. 12

The Staff has verified that this company 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.

As soon as the Commission has approved these proposed rates, Laclede will update its customer notice to accurately reflect the results of this proceeding. Laclede will also update its call center reference materials with the new rate information.

### **RECOMMENDATION**

Based upon the Staff's conclusions, the Staff recommends that the Commission issue an order in this case that:

1. Implements the tariff sheet filed by Laclede on August 23, 2008, (assigned tariff number YG-2008-0644);

2. Authorizes Laclede to collect an Infrastructure System Replacement Surcharge that is sufficient to recover appropriate annual pre-tax revenues in the amount of \$3,531,066.

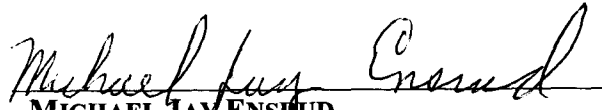
**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Verified Application )	
and Petition of Laclede Gas Company to )	Case No. <u>GO-2008-0351</u>
Change its Infrastructure System )	Tariff No. <u>YG-2008-0644</u>
Replacement Surcharge )	

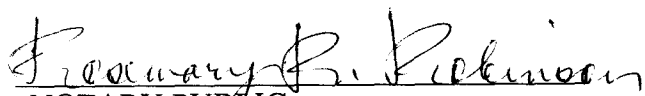
**AFFIDAVIT OF MICHAEL JAY ENSRUD**

STATE OF MISSOURI                    )  
  ) ss:  
COUNTY OF COLE                    )

Michael Jay Ensrud, of lawful age, on oath state: that he has participated in the preparation of the foregoing Staff Report, to be presented in the above case; that the information in the attached written report were given by Laclede Gas Company; that he has knowledge of the matters set forth in such memorandum; and that such matters are true to the best of his knowledge and belief.

  
MICHAEL JAY ENSRUD

Subscribed and affirmed before me this    12    day of    June    2008.

  
NOTARY PUBLIC

