

**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)	<u>File No. GO-2011-0361</u>
Infrastructure System Replacement Surcharge.)	File No. YG-2011-0556

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 May 2, 2011, Laclede Gas Company (“Laclede” or “Company”) filed its *Verified Application and Petition of Laclede Gas Company To Change Its Infrastructure System Replacement Surcharge, And, If Necessary, Request For Waiver Of Rule 4.020(2)* (“Application”) under Sections 393.1009 and 393.1015 RSMo (2000), and Commission Rule 4 CSR 240-3.265, which allow Gas corporations, such as Laclede, to recover certain qualifying infrastructure system replacement costs (“ISRS”) outside of a formal rate case, through a surcharge on customers’ bills.

2. Laclede filed to recover ISRS qualifying plant placed into service during December 1 through March 31, 2011, and pro-forma ISRS eligible plant through May 31, 2011.

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 this case, 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. Staff also reviewed updated calculations for qualifying ISRS eligible plant placed into service in April and May 2011.

5. In Staff's Memorandum, attached hereto as Attachment A and incorporated by reference herein, Staff recommends that Laclede receive a composite ISRS revenue requirement of \$4,810,811. 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 Laclede's May 2, 2011 ISRS tariff sheet (YG-2011-0556);
2. Approving Staff's recommendation of pre-tax revenues of \$4,810,811 annually;
3. Approving Staff's incremental revenue requirement of \$2,319,395; and
4. Authorizing Laclede to file an ISRS rate for each customer class in accord with Attachment B which are projected to produce additional revenue of \$4,810,811.

Respectfully submitted,

/s/ Meghan E. McClowry
Meghan E. McClowry
Legal Counsel
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Attorney for the Staff of the
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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 27^h day of June, 2011.

/s/ Meghan E. McClowry

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GO-2011-0361, File No. YG-2011-0556, Laclede Gas Company

FROM: Erin Carle - Auditing
Michael J. Ensrud, Energy – Tariffs / Rate Design
Michael Stahlman, Energy – Tariffs / Rate Design

/s/ Thomas M. Imhoff 06/27/11
Energy Department/Date

Meghan McClowry 06/27/11
Staff Counsel's Office/Date

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

DATE: June 27, 2011

BACKGROUND

On May 2, 2011, 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, And, If Necessary, Request For Waiver Of Rule 4.020(2)" ("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 ISRS rates that generate \$2,490,876 annually. Laclede's existing ISRS rates were established on January 7, 2011, in Case No. GO-2011-0058.

On May 3, 2011, the Commission issued an Order suspending the tariff until August 30, 2011.

On May 3, 2011, the Commission also issued an "Order Directing Notice, and Setting Intervention Date" for May 23, 2011.

On May 24, 2011, the Commission issued "Order Directing Filing of Staff Report" stating that Staff shall file its report "no later than July 1, 2011". This report is in compliance with that order.

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

WAIVER

In its Application, Laclede seeks a waiver of Commission Rule 4 CSR 240-4.020(2) which states:

Any regulated entity that intends to file a case likely to be a contested case shall file a notice with the secretary of the commission a minimum of sixty (60) days prior to filing such case. Such notice shall detail the type of case and issues likely to be before the commission.

Commission Rule 4 CSR 240-4.020(2)(B) further states that “a party may request a waiver of this section for good cause.”

Staff does not oppose that request. Staff notes that in a recent ISRS case, GO-2011-0269, the Commission found that that particular ISRS filing did not need a waiver.

STAFF REVIEW AND REVENUE CALCULATION

In this case, Laclede filed to recover ISRS qualifying plant placed into service during December 1 through March 31, 2011, and pro-forma ISRS eligible plant through May 31, 2011. This request is consistent with the method used to calculate the ISRS rate approved in Laclede’s previous ISRS, approved in Case No. GO-2011-0058. This is also consistent with Staff’s view that the calculation of the ISRS surcharge should closely reflect the revenue requirement at the effective date of the ISRS rates.

In this case, 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. Staff also reviewed, updated calculations for qualifying ISRS eligible plant placed into service during April and May 2011.

This case is Laclede’s second ISRS filing since its most recent rate case, Case No. GR-2010-0171. The amount approved for the first ISRS filing since was \$2,490,876 annually. In accord with Staff’s calculation of ISRS surcharges, accumulated deferred income taxes and depreciation on ISRS plant approved in Laclede’s last ISRS filing are routinely updated in subsequent ISRS filings. Staff’s proposed ISRS rates are projected to recover an annual revenue requirement as follows:

ISRS Filings		
Past ISRS Revenue Requirement	\$ 2,490,876	
(GO-2011-0058)		
Current ISRS Revenue Requirement	\$ 2,319,935	
(GO-2011-0361)		
Recommended Composite ISRS Revenue Requirement		\$ 4,810,811

THE ISRS RATE SCHEDULE

Staff's proposed rates shown in Attachment B, 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 Commission-regulated utilities.

Staff has recalculated Laclede's initially-filed rates using the customer count that Laclede provided in its most-current annual report. 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 Laclede's May 2, 2011 ISRS tariff sheet (YG-2011-0556);
2. Approves Staff's recommendation of pre-tax revenues of \$4,810,811 annually;
3. Approves Staff's incremental revenue requirement of \$2,319,395; and
4. Authorizes Laclede to file an ISRS rate for each customer class in accord with Attachment B which are projected to produce additional revenue of \$4,810,811.

LACLEDE GAS COMPANY
CASE NO. GO-2011-0361
ISRS RATE DESIGN

Staff's Total ISRS Rev Req						
<u>Customer Rate</u>	<u>Cust # Dec. 10</u>	<u>Customer Charge</u>	<u>Ratio To Res</u>	<u>Weighted Cust #</u>	<u>Customer Percentage</u>	<u>ISRS Charge</u>
Residential	599,640	\$19.50	1.0000	599,640	88.16%	\$0.59
Com & Ind. Class 1	31,014	\$25.50	1.3077	40,557	5.96%	\$0.77
Com & Ind. Class 2	9,386	\$40.50	2.0769	19,494	2.87%	\$1.22
Com & Ind. Class 3	695	\$81.00	4.1538	2,887	0.42%	\$2.45
Large Volume	83	\$800.00	41.0256	3,405	0.50%	\$24.18
Interruptible	18	\$710.00	36.4103	655	0.10%	\$21.46
Transportation	139	\$1,893.00	97.0769	13,494	1.98%	\$57.22
Transportation - Other	0	\$1,531.00	78.5128	0	0.00%	\$0.00
Gas Light	100	\$5.20	0.2667	27	0.00%	\$0.16
Vehicular Fuel	4	\$20.20	1.0359	4	0.00%	\$0.61
Liquid Propane	53	\$17.00	0.8718	46	0.01%	\$0.51
	<u>641,132</u>			<u>680,209</u>	<u>100.00%</u>	<u>\$4,810,811</u>

\$4,810,811

* Due to rounding to the nearest penny, the designed ISRS rates will over-collect by \$3,761. However, it should be noted that the total amount collected will be true-up at a later date.

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) File No. GO-2011-0361
its Infrastructure System Replacement)
Surcharge)
)

AFFIDAVIT OF ERIN M. CARLE

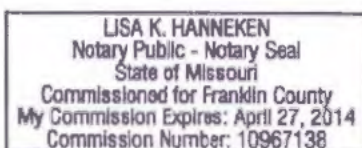
STATE OF MISSOURI)
) ss.
COUNTY OF ST. LOUIS)

Erin M. Carle, 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.

Erin M Carle
Erin M. Carle

Subscribed and sworn to before me this 21st day of June, 2011.

Lisa K. Hanneken
Notary Public



**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-2011-0361
YG-2011-0556

AFFIDAVIT OF MICHAEL J. ENSRUD

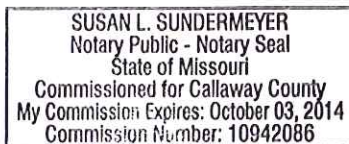
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

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 23 day of June, 2011.





Notary Public

