

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

In the Matter of the Application of Missouri Gas)
Energy, an operating unit of Laclede Gas Company,) Case No. GO-2015-00____
For Approval to Establish an Infrastructure System)
Replacement Surcharge)

**VERIFIED APPLICATION AND PETITION OF MGE TO ESTABLISH
AN INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE**

COMES NOW Missouri Gas Energy ("MGE"), an operating unit of Laclede Gas Company, pursuant to Sections 393.1009, 393.1012 and 393.1015 RSMo; 4 CSR 240-3.265; and, 4 CSR 240-2.060, 2.080, and 3.265 of the Rules of the Missouri Public Service Commission ("Commission"), and for its Verified Application and Petition to Establish an Infrastructure System Replacement Surcharge, respectfully states as follows to the Commission:

SUMMARY

1. Sections 393.1009-1015 RSMo, and Commission Rule 4 CSR 240-3.265, provide eligible gas corporations with the ability to recover certain infrastructure system replacement costs outside of a formal rate case filing via the implementation of an Infrastructure System Replacement Surcharge (ISRS). A petition must be filed with the Commission for review and approval before an adjustment can be made to a gas corporation's rates and charges to provide for the recovery of the costs associated with eligible infrastructure system replacements. This Application and Petition seeks to adjust MGE's rates by establishing an ISRS rate schedule.

2. MGE's last rate case, Case No. GR-2014-0007 (the "Rate Case"), was decided effective May 1, 2014, covering ISRS eligible costs incurred through

December 31, 2013. Since January 1, 2014, the Company has continued to incur costs related to ISRS-eligible infrastructure system replacements. Accordingly, MGE submits this Application and Petition to establish an ISRS to reflect these additional costs for the period from January 2014 through June 2014.

THE APPLICANT

3. MGE is an operating unit of Laclede Gas Company, which is duly incorporated under the laws of the State of Missouri and conducts business in its MGE service territory under the fictitious name of Missouri Gas Energy. Laclede's principal office is located at 720 Olive Street, St. Louis, Missouri 63101. MGE's principal office is located at 3420 Broadway, Kansas City, Missouri 64111. A Certificate of Good Standing evidencing Laclede's standing to do business in Missouri was submitted in Case No. GF-2009-0450 and is incorporated herein by reference for all purposes. The information in such Certificate is current and correct.

4. Other than cases that have been docketed at the Commission, neither MGE nor Laclede Gas Company has a pending action or final unsatisfied judgment against it from any state or federal agency or court within the past three (3) years that involve customer service or rates. Neither Laclede nor MGE has annual reports or assessment fees that are overdue.

5. MGE provides natural gas service to approximately 500,000 customers in the western Missouri counties of Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Dade, Dekalb, Greene, Henry, Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald,

Moniteau, Pettis, Platte, Ray, Saline, Stone, and Vernon.

6. MGE is subject to the jurisdiction of the Missouri Public Service Commission as provided by law.

7. Communications in regard to this Application should be addressed to the undersigned counsel and to:

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Director, Pricing and Regulatory Affairs
Missouri Gas Energy
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THE ISRS REQUEST

8. MGE, per this application, requests an adjustment to its rates and charges through its ISRS rate schedule to provide for the recovery of costs for infrastructure system replacements and relocations eligible for ISRS recognition. These ISRS eligible costs were incurred during the period January 1 – June 30, 2014, and also include pro forma ISRS costs updated through August 31, 2014.

9. In accordance with the provisions of sections 393.1009, 393.1012 and 393.1015 RSMo, and Commission Rule 4 CSR 240-3.265, the proposed ISRS rate schedule reflects the appropriate pre-tax ISRS revenues necessary to produce net operating income equal to MGE's weighted cost of capital multiplied by the net original cost of the requested infrastructure replacements which are eligible for the ISRS, including recognition of accumulated deferred income taxes and accumulated depreciation associated with the aforesaid

infrastructure system replacements. MGE also seeks to recover all state, federal and local income or excise taxes applicable to such ISRS income and to recover all other ISRS costs such as depreciation expense, and property taxes due within 12 months of this filing.

10. The summary of the new infrastructure system replacements for which MGE seeks ISRS recognition are set forth on page 1 of **Appendix A**, with the details set forth on **Appendices B, C and D**, which are attached hereto and made a part hereof for all purposes. The infrastructure system replacements listed in the appendices are eligible gas utility plant projects pursuant to Commission Rule 4 CSR 240-3.265(1)(G)(1) – (3); in that they are either: a) mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to comply with state or federal safety requirements as replacements for existing facilities that have worn out or are in deteriorated condition; or, b) main relining projects, service line insertion projects, joint encapsulation projects, and other similar projects extending the useful life, or enhancing the integrity of pipeline system components undertaken to comply with state or federal safety requirements; or, c) unreimbursed infrastructure facility relocations due to the construction or improvement of a highway, road, street, public way or other public work required by or on behalf of the United States, the State of Missouri, a political subdivision of the State of Missouri, or another entity having the power of eminent domain.

11. The infrastructure system replacements listed in the appendices are eligible for ISRS treatment as they are gas utility plant projects that: a) did not increase revenues by directly connecting to new customers; b) currently are in

service and used and useful; c) were not included in MGE's rate base in the Rate Case; and, d) replaced and/or extended the useful life of existing infrastructure. The details in **Appendices B, C and D** further describe when the ISRS projects were completed and became used and useful; the net original cost, costs eligible for recovery and a breakdown of those costs in accordance with Commission Rule 4 CSR 240-3.265(20)(K); and further provide the information required by Commission Rule 4 CSR 240-3.265(20)(L).

RATE SCHEDULES AND SUPPORTING DOCUMENTATION

12. Attached hereto is the rate schedule, with supporting documents in **Appendices A, B, C and D**, proposed by MGE in order to establish the new ISRS and to provide for the adjustment of its rates and charges to reflect recovery of eligible infrastructure costs.

13. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes current state and federal income tax rates through a combined income tax rate conversion factor of 1.62308.

14. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes a pre-tax rate of return of 9.75% per the stipulation and agreement approved in the Rate Case.

15. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes depreciation rates currently applicable to the aforelisted eligible infrastructure system replacements as approved by the Commission for MGE in its most recently completed general rate proceeding.

16. In determining the appropriate monthly ISRS charge herein, the proposed rate schedule is based on a reasonable estimate of billing units in the period in which the charge will be in effect, which is derived by dividing the appropriate pre tax revenues, as calculated above, by the customer numbers reported by MGE in the annual report it filed with the Commission on or about April 15, 2014, further dividing this quotient by twelve, and then maintaining the proportional relationship among the ISRS rate elements for each customer class equivalent to the proportional relationship of the monthly fixed charge for each customer class as approved in the Rate Case. The ISRS rate elements by customer class calculated on this basis yield appropriate pre-tax revenues as shown on page 6 of **Appendix A**.

ADDITIONAL INFORMATION

17. MGE will provide periodic informational brochures, by way of bill insert or bill message, to be distributed to its customers with bills containing changes to the ISRS amount. MGE will comply with the notice requirements found in Commission Rule 4 CSR 240-3.265(8). MGE will provide a surcharge description on all affected customer bills, which informs the customers of the existence and amount of the ISRS. Attached as **Appendix E** is an example of the notice MGE proposes to use as both the initial notice and annual notice per Commission Rule 4 CSR 240-3.265(9)(A) and (B), to be updated when the appropriate rates are approved. The information referenced in Commission Rule 4 CSR 240-3.265(9)(C) is set forth in **Appendix F**, attached hereto.

18. **Appendix G** (pages 1 and 2) shows the information MGE maintains on its website to inform customers of the ISRS as referenced in

Commission rule 4 CSR 240-3.265(22)(A).

19. **Appendix G** (page 3) shows instructions provided by the Company to personnel at MGE's customer contact center regarding how those personnel should respond to calls pertaining to the ISRS as referenced in Commission rule 4 CSR 240-3.265(22)(8).

WHEREFORE, pursuant to 393.1015.2(3) Applicant respectfully requests the Commission provide notice of this filing in accordance with Commission Rule 4 CSR 240-3.265(7) and, thereafter, issue an Order approving the notices and bill format presented in Appendices E and F, approving the tariff sheet establishing an ISRS at the rates set forth in Appendix A, and granting such other relief as may be necessary and appropriate to accomplish the purposes of Sections 393.1009 through 393.1015.

Respectfully Submitted,

/s/ Rick E. Zucker

Rick E. Zucker #49211

Associate General Counsel

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ATTORNEY FOR MISSOURI GAS ENERGY, an
operating unit of LACLEDE GAS COMPANY

CERTIFICATE OF SERVICE


I hereby certify that true and correct copies of the foregoing document were sent by electronic mail on this 25th day of July, 2013, to the Staff of the Missouri Public Service Commission and to the Office of the Public Counsel.

/s/ Marcia Spangler

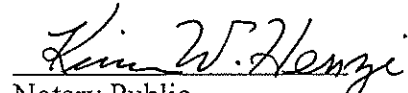
VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss

I, Michael R. Noack, of lawful age, state that I am the Director of Pricing and Regulatory Affairs for Missouri Gas Energy; that I have read the above and foregoing document; that the statements contained therein are true and correct to the best of my information, knowledge and belief; and, that I am authorized to make this statement on behalf of Missouri Gas Energy.


Michael R. Noack

Subscribed and sworn to before me this 23rd day of July, 2014.


Notary Public

My Commission Expires: 2-22-15

