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June 4, 2001

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Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED

JUN 4 2001

RE: Case No. GR-99-315

Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF'S PROPOSED FINDINGS OF FACT ON DEPRECIATION**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Thomas R. Schwarz, Jr.
Deputy General Counsel
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TRS:sw
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

JUN 4 2001

Missouri Public
Service Commission

In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate)
Schedules.)

Case No. GR-99-315

STAFF'S PROPOSED FINDINGS OF FACT ON DEPRECIATION

Pursuant to the Commission's order in this cause on remand, dated May 14, 2001, the Staff proposes the Commission enter the following findings of fact on the issue of depreciation:

Depreciation -- Net Salvage

1. Staff and Laclede disagree about which estimate of the net salvage value (gross salvage value less cost of removal) should be used to determine depreciation rates when plant is retired. Staff argues that the net salvage expense included in rates should reflect the actual amounts the company has experienced in recent years. (Staff's Initial Br. at 23.) Laclede argues that the future cost of the future removal should be estimated by dividing current expense by the original cost of the retired plant and multiplying the quotient by the current plant balance. (Laclede's Initial Br. at 57-58.) Thus, Laclede is attempting to calculate the net salvage expense that may occur years in the future.

2. The Commission finds that Laclede has failed to meet its burden of showing that Laclede's proposed calculation with regard to net salvage is just and reasonable. Laclede has not shown why it is just and reasonable to recover from its current customers more than Laclede is currently expending for net salvage. (Reb. Test. Adam at 2, ll. 6-10; Tr. P. 927-28.) Further, Laclede's appeal for intergenerational equity is not persuasive in light of the uncertainty of how

much cost will be incurred for removal, when removal will occur, or if any removal or removal cost would be incurred at all. (Reb. Test. Adam at 2, line 1 – 3, line 6.)

3. The Commission finds that the Staff's proposed calculation of net salvage cost is just and reasonable, in that it allows Laclede to collect from its current customers the amount Laclede is currently experiencing for final net salvage cost for mass property accounts and for interim cost of removal for life span property accounts. (Dir. Test. Adam at 2, ll. 6-21; Reb. Test. Adam at 2, ll. 5-6), This current level of net salvage cost is adequate to allow Laclede to fully recover the net salvage of all plant. (Reb. Test. Adam at 1, ll. 18-22.)

4. The Commission finds, therefore, that the calculation of net salvage cost in this case shall be performed in accordance with Staff's recommendations. Based on the testimony of Staff's witness, Paul W. Adam, the Commission makes the following findings regarding the Staff's recommendations for the calculation of net salvage.

5. Current depreciation rates should reflect a net salvage component of the depreciation rate that, when multiplied by the plant balance, gives an annual accrual consistent with the current net salvage amounts experienced by the Company. Laclede's current depreciation rates reflect this computation, and therefore should remain unchanged, with the exception of Account 362, Gas Holders. Gas Holders are discussed elsewhere in this Report and Order. (Dir. Test. Adam at 14, ll. 13-22, see also Schedule 1 attached.) This results in an annual accrual of \$21,054,647.00. (Dir. Test. Adam at 2, ll. 6-21.)

6. The Commission further finds that Staff's proposal is just and reasonable, in that the Company has historically submitted rate cases every few years, a frequency which is adequate to allow an adjustment to be made to depreciation rates, should net salvage expense increase and

justify the Company's collecting additional dollars from their customers for the net salvage portion of depreciation. (Reb. Test. Adam at 3, ll. 1-4.)

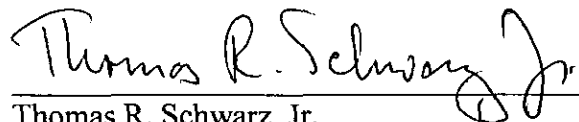
7. The Commission further finds that if in the future the Company's expenditures for net salvage exceed the amount the Company is collecting from its customers, the Company can and should apply for new depreciation rates to be ordered. (Reb. Test. Adam at 2, ll. 22-24.)

8. The Commission further finds that the Company's depreciation accrual balance represents an over recovery of \$26,575,903.00. (Dir. Test. Adam at 10, ll. 2-3.) Therefore, according to Staff's recommendation, the current rates, with the exception of Account 362, Gas Holders, shall remain in effect to allow the Staff to observe if the accrual balances continue to over recover, reverse trend, or stay constant. In future cases, the data submitted by the Company must be current data, allowing Staff engineers to make calculations that will better reflect the Company's activities. (Dir. Test. Adam at 10, ll. 2-12.)

WHEREFORE, having complied with the Commission's order, the Staff suggests that the Commission re-adopt its original decision on this issue in this case, and enter its findings as set forth above.

Respectfully submitted,

DANA K. JOYCE
General Counsel

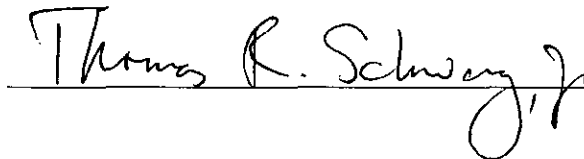


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 4th day of June, 2001.



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Case No. GR-99-315
Revised: June 4, 2001 (SW)**

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