

**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) Case No. GO-2015-00__
Infrastructure System Replacement Surcharge in)
Its Laclede Gas Service Territory)

**VERIFIED APPLICATION AND PETITION
OF LACLEDE GAS COMPANY TO CHANGE ITS
INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE
IN ITS LACLEDE GAS SERVICE TERRITORY**

COMES NOW Laclede Gas Company (“Laclede” or "Company"), pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri (2009), 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 Change its Infrastructure System Replacement Surcharge in its Laclede Gas Service Territory, respectfully states as follows:

I. BACKGROUND

1. Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri authorize eligible gas corporations to recover certain infrastructure replacement costs by establishing and updating an infrastructure system replacement surcharge (“ISRS”). Laclede’s current ISRS was established effective April 12, 2014 by Commission Order in Case No. GO-2014-0212, covering ISRS costs incurred through February 28, 2014.

2. Since February 28, 2014, the Company has continued to incur ISRS costs. For the period from March 1, 2014 through August 31, 2014, those costs result in additional annualized ISRS revenues that exceed \$1 million. Accordingly, Laclede submits this Application and Petition to change its ISRS to reflect these additional costs.

II. THE APPLICANT

3. Laclede is a public utility and gas corporation incorporated under the laws of the State of Missouri, with its principal office located at 720 Olive Street, St. Louis, Missouri 63101. 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 by reference herein for all purposes. The information in such Certificate is current and correct.

4. In its Laclede Gas service territory, Laclede is engaged in the business of distributing and transporting natural gas to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, St. Genevieve, St. Francois, Madison, and Butler in Eastern Missouri, as a gas corporation subject to the jurisdiction of the Commission.

5. Communications in regard to this Application should be addressed to:

Rick Zucker
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Glenn W. Buck
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6. Other than cases that have been docketed at the Commission, Laclede has no pending actions or final unsatisfied judgments or decisions against it from any state or

federal agency or court which involve customer service or rates within three years of the date of this application.

7. Laclede is current on its annual report and assessment fee obligations to the Commission; no such report or assessment fee is overdue.

III. THE ISRS REQUEST

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 that were made during the period March 1, 2014 through June 30, 2014. Consistent with ISRS changes approved in Laclede's previous ISRS cases, this application also includes pro forma ISRS costs updated through August 31, 2014. Finally, in accordance with the Unanimous Stipulation and Agreement approved by the Commission in Laclede's previous ISRS case, Case No. GO-2014-0212, this application also includes ISRS costs from Work Orders 60418 and 60419 pertaining to the replacement of worn and deteriorated telemetric equipment.

9. In accordance with the provisions of Sections 393.1009-1015 and 4 CSR 240-3.265, the revised ISRS rate schedule reflects the appropriate pre-tax ISRS revenues necessary to produce net operating income equal to Laclede's weighted cost of capital multiplied by the net original cost of the requested infrastructure replacements during this period that are eligible for the ISRS, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements that were included in Laclede's currently effective ISRS. Laclede 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.

A. Eligibility of Costs

10. The infrastructure system replacements for which Laclede seeks ISRS recognition are set forth on Appendix A, which is attached hereto and made a part hereof for all purposes. The infrastructure system replacements listed on Appendix A are eligible gas utility plant projects 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. In addition to meeting the foregoing criteria, the infrastructure system replacements listed on Appendix A are also eligible for ISRS treatment because they: (a) did not increase revenues by directly connecting to new customers; (b) are currently in service and used and useful; (c) were not included in Laclede's rate base in its most recently completed general rate case, or in a previous ISRS filing; and (d) replaced and/or extended the useful life of existing infrastructure.

B. Rate Schedules, Calculations and Supporting Documentation

12. Attached hereto as Appendix B is the rate schedule, with supporting documents, proposed by Laclede in order to revise the ISRS to reflect the additional ISRS eligible investments made by Laclede that were not included in its previous ISRS filing. This proposed rate schedule, on an annualized basis, will produce additional ISRS revenues of at least one million dollars, but not in excess of ten percent of Laclede's base revenue level as approved by the Commission in its most recently completed general rate proceeding.

13. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes current local, state and federal income tax rates through a combined income tax rate conversion factor of 1.626737.

14. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes the capital structure approved by the Commission in its February 21, 2014 Order Approving Late-Filed Exhibit (the "February 21 Order") in Case No. GR-2013-0171 (the "Rate Case"), and reflects an overall rate of return of 7.1855%.

15. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes a weighted average cost of debt of 2.0445%, consistent with the February 21 Order.

16. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes a cost of common equity of 9.7%, consistent with the February 21 Order.

17. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes depreciation rates currently applicable to the eligible infrastructure system replacements, as approved by the Commission for Laclede in the Rate Case.

18. In determining the appropriate monthly ISRS charge, the proposed rate schedule is based on a reasonable estimate of billing units in the period in which the charge will be in effect, derived by dividing the appropriate pre-tax revenues, as calculated above, by the average number of customers in the most recent year ended December 31, 2013, and then further dividing this quotient by twelve. (*See Appendix B, p. 11*). Consistent with the methodology used in previous ISRS filings, the monthly ISRS charge is apportioned between customer classes in proportion to the customer charges applicable to those classes.

19. In the past few Laclede rate cases, including Case No. GR-2013-0171, the Commission approved the parties' agreement to implement the Company's ISRS applications "as soon as reasonably possible," in exchange for Laclede's commitment to reduce the ISRS by a certain amount. In filing this Application, Laclede has in fact reduced its ISRS request accordingly, and therefore asks the other parties to do their part in processing the application as soon as is reasonably possible.

IV. ADDITIONAL INFORMATION

20. In connection with 4 CSR 240-3.265(22), attached hereto and incorporated herein as Appendix C is a description of the Company's call center instructions pertaining to the ISRS, along with a description of ISRS information posted on the Company's website.

WHEREFORE, pursuant to 393.1015.2(3) RSMo and Commission Rule 3.265(12), Laclede Gas Company respectfully requests that the Commission issue an order approving a change to Laclede's ISRS rate schedules to provide for the recovery of the eligible infrastructure system replacement investments made by Laclede as described in Paragraph 8 above, and grant such other relief as may be necessary and appropriate to accomplish the purposes of Sections 393.1009 through 393.1015 and the parties agreement in the Rate Case.

Respectfully submitted,

/s/ Rick E. Zucker

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ATTORNEY FOR LACLEDE GAS COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing Application and Petition was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 25th day of July, 2014 by hand-delivery, fax, electronic mail or United States mail, postage prepaid.

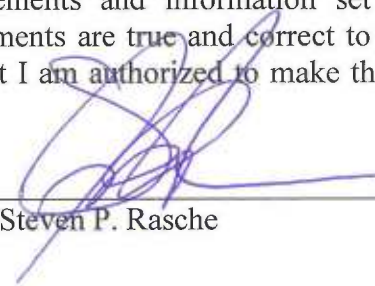
/s/ Marcia Spangler

Marcia Spangler

VERIFICATION

State of Missouri)
)
City of St. Louis) ss

I, Steven P. Rasche, being of lawful age state: that I am Chief Financial Officer of Laclede Gas Company; that I have read the foregoing Application and Petition and the documents attached thereto; that the statements and information set forth in such Application and Petition and attached documents 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 Laclede Gas Company.



Steven P. Rasche

Subscribed and sworn to before me this 24th day of July, 2014.



Notary Public

My Commission Expires: November 7, 2015

