

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

In The Matter Of The Application Of)
Laclede Gas Company for an Accounting)
Authority Order Authorizing the)
Company to Defer for Future Recovery)
the Costs of Complying with the)
Permanent Amendment to the)
Commission's Cold Weather Rule)

Case No. GU-2007-0138

**STAFF'S RESPONSE TO LACLEDE'S REQUEST TO DEFER CONSIDERATION
OF REQUEST FOR DETERMINATION OF THE COST OF COMPLIANCE**

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Response to Laclede's Request to Defer Consideration of Request for Determination of the Cost of Compliance states:

1. On October 31, 2007 Laclede Gas Company (Laclede) filed its Request for Determination of the Cost of Compliance with the Permanent Amendment to the Cold Weather Rule.

2. On October 31, 2007 the Commission issued an Order directing the Staff and OPC to file responses to Laclede's request no later than November 9, 2007.

3. Staff's position is that Laclede's request to defer consideration of its cost of compliance with the Cold Weather Rule (4 C.S.R. 240.13.005) should be denied by the Commission.

4. In case No. GU-2007-137, there was some disagreement regarding the proper calculation of the cost of complying with the emergency amendment to the Cold Weather Rule. GU-2007-0137 was consolidated with Laclede's recent rate case, GR-2007-0208, and eventually resolved as part of the overall settlement in that case. Staff's understanding is that Laclede is proposing to use the method of calculation agreed to for

settlement in GU-2007-0137 to determine the cost of compliance for GU-2007-138. In addition Laclede intends to continue accruing interest expense on the cost of compliance until this item is addressed in the Company's next rate case, the timing of which is unknown. Staff believes that a more appropriate approach than the one requested by Laclede is to ascertain the correct dollar amount of compliance cost now and accrue interest expense on that amount until the Company's next rate case.. This approach would allow the accrual of interest on a correct dollar amount rather than allowing the accrual of interest expense to continue to accumulate until the unknown future date of Laclede's next rate case, increasing the possibility that a significant portion of the accumulated cost and interest expense will have to be adjusted and written off in the future.

5. The number of issues in a rate case may also result in the dilution of this issue. The result could be that in the give-and-take of settlement negotiations the correct amount of compliance costs and interest expense could be less precise. This result in turn could result in a disadvantage to ratepayers or shareholders.

WHEREFORE, Staff requests that the Commission deny Laclede's request to defer consideration of its request for determination of the cost of compliance with the Cold Weather Rule until Laclede's next general rate case.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed with first class postage, hand-delivered, transmitted by facsimile or transmitted via e-mail to all counsel and/or parties of record this 9th day of November 2007.

/s/ Jennifer Heintz