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July 26, 2002

Secretary of the Commission
Missouri Public Service Commission
200 Madison Street, Suite 100
P.O. Box 360
Jefferson City, Missouri 65102-0360

FILED³

JUL 26 2002

**Missouri Public
Service Commission**

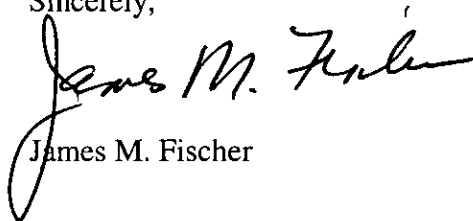
RE: *Laclede Gas Company*
Case No. GA-2002-429

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are the original and eight (8) copies of Laclede's Statement of Positions. A copy of the foregoing document has been hand-delivered or mailed this date to each party of record.

Thank you for your attention to this matter.

Sincerely,


James M. Fischer

/jr
Enclosures

cc: Office of the Public Counsel
Dana K. Joyce, General Counsel
Diana Vulstyke
Lisa C. Langeneckert
Jan Bond

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³
JUL 26 2002

Missouri Public
Service Commission

In the Matter of the Application of)
Laclede Gas company for an Accounting)
Authority Order Authorizing the Company)
to Defer for Future Recovery)
Consideration its Revenue Loss that)
would otherwise be Unrecovered Due to)
the Impact of Warm Weather on the)
Company's Operations.)

Case No. GA-2002-429

LACLEDE'S STATEMENT OF POSITIONS

COMES NOW Laclede Gas Company ("Laclede" or "Company"), and for its
Statement of Positions on the issues contained in the Joint Issues List filed by the parties
on July 19, 2002, states as follows:

Issue #1: Should the Commission grant Laclede's request for an Accounting
Authority Order (AAO) to permit Laclede to defer recognition of
the financial impact resulting from the warmer than normal
weather in the winter of 2001-2002?

Laclede's Position: Yes. Laclede's request is consistent with the traditional standards
employed by the Commission for determining whether an AAO is
appropriate. These standards were set forth in the Report and
Order issued on December 20, 1991, in the *Missouri Public
Service* case, Case Nos. EO-91-358 and EO-91-360.

Issue #1A: Is the Company's request consistent or inconsistent with the
traditional standards employed by the Commission for determining
whether an AAO is appropriate?

Laclede's Position: In the *Missouri Public Service* case, the Commission established
criteria for determining whether an AAO is appropriate. The
Commission found that AAOs are appropriate when events occur
that are extraordinary, unusual, unique and non-recurring. In
evaluating an AAO request, the Commission's focus is on the
uniqueness of the event, either through its occurrence or its size.
The warm winter of 2001-2002 (the "Warm Winter") was
extraordinary, unusual, unique and non-recurring. Further, the
Warm Winter had a material and substantial effect on the

Company's earnings. Therefore, Laclede's request is consistent with the traditional standards employed by the Commission for determining whether an AAO is appropriate.

Issue #1.A.1: Was the warm winter an extraordinary, unusual, unique, and non-recurring event?

Laclede's Position: Yes. The Warm Winter was the 5th warmest winter that Laclede has experienced in the past 102 years. Temperatures in the Company's service territory were 17% warmer than normal. On average, a winter like this would be expected to occur only once every 20 years or so. Thus, the Warm Winter was clearly extraordinary, unusual, unique and non-recurring.

Issue #1.A.2: Did the warm winter have a material or substantial effect on Laclede's earnings?

Laclede's Position: Yes, the Warm Winter had a material and substantial effect on Laclede's earnings. The USOA definition of an "Extraordinary item" recites that the item should have an effect of more than 5% of income, before extraordinary items. In this case, the Warm Winter's impact on Laclede's earnings was approximately 25% of pre-tax income. The impact of this event is not only extraordinary, as defined by the USOA, but is also unusual by virtue of its sheer size.

Issue #1.A.3: Are there other considerations that argue in favor of or against granting the AAO request?

Laclede's Position: Yes. In making case-by-case decisions on AAO applications, the Commission has approved AAOs covering Commission mandated costs. In this instance, the Staff audited, and the Commission approved, Laclede's costs incurred to meet its mandated utility service obligations. Recovery of these costs was based on experiencing normal weather. The extraordinary weather in the Warm Winter resulted in the Company's failure to recover these mandated service costs, for which an AAO should be granted.

It is also clear that granting the Company's request will not enable it to exceed its authorized rate of return. In fact, even with the deferral and recovery of the amounts covered in the AAO request, Laclede would fail to earn its authorized rate of return for the fifth consecutive year.

Issue #1.B.1: Would the Commission's grant of Laclede's request for an AAO constitute retroactive ratemaking or single-issue ratemaking, and if so, would it be unlawful for that reason?

Laclede's Position: The retroactive and single-issue ratemaking topic is irrelevant to an AAO analysis. In the *Missouri Public Service* case, the Commission expressly acknowledged that AAOs fall outside the scope of the traditional method of setting rates. By definition, the need for an AAO is caused by the fact that the event at issue is extraordinary and was not covered in the ratemaking process. Thus, it is irrelevant whether deferring the financial impact of an extraordinary event constitutes retroactive or single issue ratemaking, because the Commission has already decided that such events are treated as an exception to the normal ratemaking process. The courts have also recognized that AAOs do not violate either retroactive or single-issue ratemaking principles.

Issue #1.B.2 For purposes of ruling on the AAO, does it matter that the financial impact to Laclede was caused by a decrease in revenues as opposed to an increase in costs?

Laclede's Position: No. The rationale behind an AAO is for a utility to defer for recovery the financial impact of an extraordinary event. It should not matter whether the extraordinary event impacted income through a decrease in revenues or an increase in costs. In fact, AAOs have been granted in both instances. For example, a Cold Weather Rule AAO compensates for uncollected revenues, while an ice storm AAO compensates for additional costs. Further, because revenues are based on the cost of service in the regulatory environment, there is no basis in the context of an AAO for distinguishing an underrecovery of costs due to a decline in revenues from an underrecovery of costs due to an increase in costs.

Issue #2.A: If the Commission grants Laclede an AAO, how should the deferral be calculated?

Laclede's Position: The deferral should be calculated in the same general manner that underlies the billing determinants in Laclede's prior rate case, Case No. GR-2001-629. This calculation should employ the same basic weather normalization principles, and be derived simply by multiplying the decreased therm usage (resulting from the deviation from normal heating degree days caused by the Warm Winter) by the non-gas margin per therm.

Issue #2.B: If the Commission grants Laclede an AAO, what amount should Laclede book as a deferral?

Laclede's Position: Based on Laclede's calculations, the proper amount for deferral is \$10.849 million.

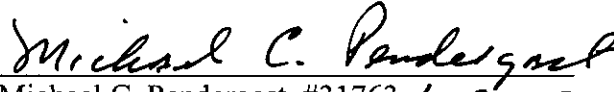
Issue #2.C: If the Commission grants Laclede an AAO, what conditions, if any, should be reflected in the Commission's order?

Laclede's Position: Because Laclede proposes to recover the amount subject to the AAO in its current rate case (GR-2002-356), as set forth in the response to Issue #2.D below, there need not be any conditions applied to Laclede's AAO.

Issue #2.D: If the Commission grants Laclede an AAO, should Laclede be allowed to recover any authorized deferral, or any portion thereof, in Laclede's current rate case or should recovery be deferred to Laclede's next general rate case?

Laclede's Position: Recovery should be ordered in Laclede's current rate case, Case No. GR-2002-356, in accordance with Laclede's proposal to spread recovery over a period of five years. In the *Missouri Public Service* case, the Commission was concerned that a utility might not timely file a rate case in order to save a deferral for use as an offset against excess earnings in some future period. In this instance, Laclede has already filed a rate case. There is no reason to force deferral to some later case when a recovery vehicle is available now. From both an administrative and equitable standpoint, it is only sensible that Laclede begin recovery of the deferral in the current rate case.

Respectfully submitted,



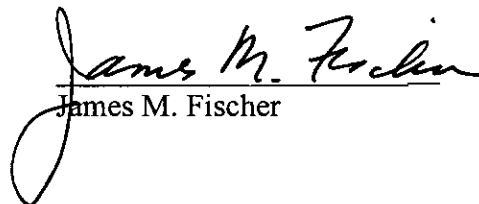
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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing Statement of Positions was served on all counsel of record in this case on this 26th day of July, 2002 by hand-delivery or by placing a copy of such Reply, postage prepaid, in the United States mail.



James M. Fischer