

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2005-0203, File No. YG-2006-0326, Laclede Gas Company

FROM: James A. Gray, Energy Department – Tariffs/Rate Design

/s/Thomas M. Imhoff 11/8/05
Energy Department/Date

/s/Lera Shemwell 11-8-05
General Counsel's Office/Date

SUBJECT: Staff Recommendation on Laclede Gas Company's Scheduled Winter Season PGA Filing Effective November 14, 2005

DATE: November 8, 2005

On October 28, 2005, Laclede Gas Company (Laclede or Company) of St. Louis, Missouri filed a tariff sheet proposed to become effective November 11, 2005. On November 2, 2005, Laclede filed a substitute tariff sheet to change the proposed effective date to November 14, 2005, to meet the required ten business day notice for a Purchased Gas Adjustment (PGA) filing. The tariff sheet was filed to reflect scheduled changes in Laclede's PGA factors as the result of an estimated change in the cost of natural gas for the upcoming winter season and changes in the Actual Cost Adjustment (ACA) factor. Laclede's winter season was revised in 2002 rate case to include the months of November through April. All other Local Distribution Companies have a winter period of November through March.

These changes will increase the firm PGA factor for the 2005-2006 winter season to \$1.13049 per therm from the 2004-2005 winter season firm PGA factor of \$0.82923 per therm. A customer last winter using 706 therms had a bill of \$751; if weather is normal this year and customers do not take measures to reduce their usage, the same customer would use approximately 782 therms, for a bill of \$1,095 this winter, before taxes. This is a 46% increase.

The Staff has been monitoring the rapidly changing natural gas market situation along with the Office of the Public Counsel and the local distribution companies. If it appears that Laclede's PGA rate should be reduced, Staff will promptly notify Laclede. The Staff's Procurement Analysis Department (PAD) will address Laclede's procurement of its natural gas for this upcoming winter season. Due to the limited time available to review the documentation supporting the ACA factors represented in this filing, PAD has requested permission to submit its results and recommendations regarding information included in this ACA filing to the Commission on or before December 29,

Appendix A

2006. Also, in Case No. GW-2006-0110, Staff is currently reviewing several aspects of the procurement policies of Missouri's local distribution companies, including Laclede. This highly abbreviated review of Laclede's purchasing policies may result in Staff or other parties filing a complaint against Laclede if any of these parties believe that Laclede has been imprudent in their purchasing practices. Staff does not believe that this abbreviated review obviates the need for a thorough PAD audit as is now provided for in the normal process. Also, Staff does not believe that a lack of any findings by parties in this abbreviated review should be treated by any parties as a final determination that a utility has been prudent in its purchasing practices as is now determined through a thorough PAD audit.

At this time, Staff does not render an opinion as to the gas purchasing practices of Laclede. Staff's review of this PGA filing has focused on the compliance of Laclede's calculations, market assumptions, storage position, hedging positions and other relevant factors in support of its tariff filing in accordance with its approved PGA Clause.

Case No. GR-2005-0203, under which these changes were filed, was established to track the Company's PGA factors to be reviewed in its 2004-2005 ACA filing. Case No. GR-2004-0273 was established to track the Company's PGA factors to be reviewed in its 2003-2004 ACA filing. Interim subject to refund status should be maintained pending final Commission decisions in ACA Case Nos. GR-2004-0273 and GR-2005-0203.

Staff has verified that this company has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing. The following Cases involving this Company are pending before the Commission:

GO-99-155	AX-2005-0364	GC-2006-0060
GO-2003-0506	GE-2005-0405	GW-2006-0110
GR-2004-0273	GC-2005-0487	GM-2006-0183

In addition, Commission Case No. GT-2001-329 is on appeal.

Staff has reviewed this filing and has determined that it was calculated in conformance with Laclede's PGA Clause. Staff is of the opinion that good cause for approval of this tariff sheet on less than thirty (30) days notice is demonstrated by Laclede's Commission-approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that the following tariff sheet, filed on October 28, 2005, and as substituted on November 2, 2005, be approved, interim subject to refund:

P.S.C. MO. No.5 Consolidated

Two Hundredth and Seventh Revised Sheet No. 29, Cancelling Two Hundredth and Sixth Revised Sheet No. 29

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

In the Matter of Laclede Gas Company's)
Purchased Gas Adjustment (PGA) Factors)
to be Audited in Its 2004-2005 Actual Cost) Case No. GR-2005-0203
Adjustment.)

AFFIDAVIT OF JAMES A. GRAY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Gray, of lawful age, on oath states: that he has participated in the preparation of the foregoing written memorandum, consisting of three pages to be presented in the above case; that the information in the attached written report were given by Laclede; that he has knowledge of the matters set forth in such memorandum; and that such matters are true to the best of his knowledge and belief.

James A Gray

Subscribed and sworn to before me this 8th day of November 2005.



D. Suzie Mankin
Notary Public

My commission expires 07-01-2008