

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)	
Purchased Gas Adjustment (PGA) Factors)	<u>Case No. GR-2005-0203</u>
to be Audited in Its 2004-2005 Actual Cost)	Tariff No. YG-2006-0326
Adjustment.)	

ORDER APPROVING INTERIM RATES

Issue Date: November 10, 2005

Effective Date: November 14, 2005

On October 28, 2005, Laclede Gas Company filed a proposed tariff sheet setting interim rates pursuant to the Purchased Gas Adjustment Clause contained in its tariffs for service rendered on and after November 11, 2005. On November 2, Laclede filed a substitute sheet in order to extend the effective date until November 14. This scheduled November PGA filing reflects changes in the estimated cost of natural gas for the remaining winter heating season, the months of November through April.

The proposed interim rates will increase Laclede's underlying charge for gas for firm sales to \$1.13049 per therm from \$0.78970 per therm, resulting in an increase for the typical residential customer of about 32% compared to existing rates. If these interim rates remain in effect for the whole winter heating season, the typical residential heating customer's bill will be 38% higher than last winter. Laclede states that the increase is due primarily to "the sharp increase in wholesale natural gas prices." Laclede further states that its use of hedging instruments, its purchase of lower cost Midcontinent natural gas, and the availability of gas stored during the summer, have reduced the impact on its customers of the current unprecedented high commodity prices.

The Commission's Staff filed its Memorandum and Recommendation on November 8, 2005. In its Memorandum and Recommendation, Staff states that a typical residential customer used 706 therms last winter, at a cost of \$751. The same customer, assuming normal weather, will use 782 therms this winter, at a cost of \$1,095. This is an increase of 46% over last winter.¹ Staff states that the proposed sheet has been correctly calculated and that it complies with the PGA clause in Laclede's Commission-approved tariffs. Staff states that the proposed increase reflects an estimated change in the cost of natural gas for the next several months. Staff states its opinion that, because Laclede's PGA clause allows for PGA change filings to take effect on ten days' notice, good cause has been shown pursuant to Section 393.140(11), RSMo 2000, to permit the tariff to become effective on less than 30 days' notice. Staff recommends that the rates be approved on an interim basis, subject to refund.

Staff also states that it is closely monitoring the natural gas market and that it will notify Laclede if, in its opinion, its PGA should be reduced. Staff also states that it will undertake a review of the prudence of Laclede's gas purchasing practices during the ACA phase of this case. Finally, Staff notes that a working docket has been established, Case No. GW-2006-0110, in order to review the procurement and hedging practices of Missouri's natural gas utilities, including Laclede.

The Commission has reviewed the proposed tariff sheet and Staff's Memorandum and Recommendation. The Commission finds that the proposed tariff sheet was calculated and filed in conformance with Laclede's Commission-approved PGA Clause. The Commission further finds that the circumstances constitute good cause

¹ A direct comparison of 706 therms at the new price results in a total cost of \$988.58, which is about 32% more than the cost of the same amount of gas last winter.

pursuant to Section 393.140(11), RSMo 2000, such that the tariff should be allowed to become effective on less than 30 days' notice. Based on Staff's recommendation and the Commission's finding of good cause, the Commission concludes that the proposed tariff sheet will be approved to become effective on the requested effective date of November 14, 2005, on an interim basis, subject to refund.

IT IS THEREFORE ORDERED:

1. That the proposed substitute tariff sheet filed on November 2, 2005, by Laclede Gas Company is approved on an interim basis, subject to refund, for service rendered on and after November 14, 2005. The specific tariff sheet approved is:

P.S.C. MO. No. 5 Consolidated
207th Revised Sheet No. 29, Canceling 206th Revised Sheet No. 29

2. That this order shall become effective on November 14, 2005.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Kevin A. Thompson, Deputy Chief
Regulatory Law Judge, by delegation
of authority pursuant to
Section 386.240, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 10th day of November, 2005.