

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 27th day of
February, 2007.

In the Matter of Laclede Gas Company's Verified	)	
Application for Authority to Issue and Sell First	)	
Mortgage Bonds, Unsecured Debt and Preferred	)	
Stock, in Connection with a Universal Shelf	)	<u>Case No. GF-2007-0220</u>
Registration Statement, and to Issue Common Stock	)	
and Receive Capital Contributions, All in a Total	)	
Amount Not to Exceed \$500 Million	)	

ORDER GRANTING FINANCING APPLICATION

Issue Date: February 27, 2007

Effective Date: March 6, 2007

On December 15, 2006, Laclede Gas Company ("Laclede"), which is a gas corporation and public utility subject to the jurisdiction and regulation of the Missouri Public Service Commission, filed a verified Application for authority to issue and sell registered securities (including first mortgage bonds, unsecured debt instruments, and preferred stock) in connection with a universal shelf registration statement, and to obtain additional equity capital by issuing common stock and receiving paid-in capital contributions, all in an aggregate amount not to exceed \$500 million.¹ The Application states that Laclede will use the proceeds for the following purposes: (1) to discharge or redeem previously issued bonds; (2) to finance the purchase, acquisition, and construction of additional properties and facilities, as well as improvements to Laclede's existing plant; (3) to improve or

¹ Laclede's application was filed pursuant to Sections 393.190 and 393.200, RSMo 2000 and Commission Rules 4 CSR 240-2.060 and 4 CSR 240-3.220.

maintain service; (4) to discharge or lawfully refund all or a portion of Laclede's outstanding short-term debt; (5) to reimburse moneys actually expended from income; and/or (6) to provide the financial resources required to meet Laclede's other public utility obligations, as further described in the Application.

After performing an investigation, on February 13, 2007, the Commission's Staff filed a Recommendation and Memorandum regarding Laclede's Application. Staff recommended that the Commission approve Laclede's Application subject to eleven stated conditions, which are:

1. That the Company be authorized to issue and sell securities, and receive paid-in capital, pursuant to the terms and conditions described in the Application, in an aggregate amount not to exceed \$500 million at any time, or from time to time, through February 15, 2010, and that the Company shall not be authorized to use any portion of the \$500 million for any purpose other than for the exclusive benefit of Laclede Gas Company's regulated operations, as such purposes are specified in Section 393.200, and not for the other operations of The Laclede Group, Inc or any of its affiliates or unregulated activities.
2. That, if and when individual debt securities are issued under this Application, the Company will submit a verified report to the Commission's Internal Accounting Department documenting such issuance, the use of any associated proceeds and the applicability and measure of fees under Section 386.300.2.
3. That the Company shall also be required to file with the Commission all final terms and conditions on this financing including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance.
4. That if a fixed rate, the interest rate will not exceed a rate equal to the greater of 300 basis points above the yield on a United States Treasury security with a comparable maturity at the time of the issuance of the Debt or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers. If a variable rate, the basis for determining the interest rate will be defined at the time of issuance, along with any maximum or minimum interest rates that may be specified for that series; provided, however, that the initial interest

rate will not exceed a rate equal to the greater of 300 basis points above the yield on a United States Treasury security with a maturity comparable to the period that the initial interest rate would be in effect, or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers.

5. That the Company shall submit to Staff and Public Counsel any information concerning communications with credit rating agencies concerning individual debt securities issued under this Application.
6. Laclede Gas Company's total long-term borrowings, including all instruments, shall at no time exceed Laclede Gas Company's regulated rate base.
7. That nothing in the Commission's order shall be considered a finding by the Commission of the value of these transactions for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.
8. That the Company shall file with the Commission any information concerning use of the funds from the individual debt securities issued under this Application with regard to redemption of any outstanding long-term debt, other than at maturity, including, if applicable, Net Present Value calculations indicating the amount of interest cost savings.
9. That the Commission's order in this proceeding shall remain effective for a three-year term from the effective date of the order. In seeking a renewal of the authority granted in this case, Laclede and Staff shall operate under the general time frames set forth for financing cases in the 2004 case management roundtable project.
10. That any benefits (including, but not limited to interest income, etc.) derived from securities proceeds during the time between when such proceeds are obtained by Laclede Gas Company and the time when such proceeds are actually put to use shall be used exclusively for the benefit of Laclede Gas Company regulated operations and not for the other operations of The Laclede Group, Inc. or any of its affiliates or non-regulated activities.
11. That Laclede Gas Company shall make available to the Staff sufficient documentation to ensure that the funds acquired through issuance of securities under this Application, and any benefits (including, but not limited to, interest income, etc.) derived on such funds as described in Recommendation No. 10, shall be used exclusively for the benefit of Laclede Gas Company regulated operations, and not for the other

operations of The Laclede Group, Inc. or any of its affiliates or non-regulated activities.

Staff did not indicate whether it had discussed these conditions with Laclede, and also did not state whether it believed Laclede would support or oppose the conditions. Therefore, on February 14, 2007, the Commission issued an order requiring any party who wished to respond to Staff's Recommendation and Memorandum to file an appropriate pleading by no later than February 20, 2007. In its response, which was filed on February 20, 2007, Laclede indicated that it agrees to Staff's recommendation regarding the Application, including the conditions stated therein. Laclede also requested that the Commission's order approving its Application be made effective by "March 1, 2007, or as soon thereafter as reasonably practicable."

After reviewing and considering Laclede's Application and the Recommendation and Memorandum of its Staff, the Commission concludes that the Application should be granted, subject to the conditions recommended by Staff and accepted by Laclede. As required by Section 393.200.1, RSMo 2000, the Commission finds that the money, property or labor to be procured or paid for by the issuance of the Registered Securities and Common Stock, as those terms are defined in the Application, is or will be reasonably required for the purposes specified in the Application, and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

IT IS ORDERED THAT:

1. The Application filed by Laclede Gas Company seeking authority to issue and sell Registered Securities and Common Stock, as those terms are defined in the Application, in an aggregate amount not to exceed \$500 million, is granted. Laclede Gas Company is authorized to issue and sell registered securities (including first mortgage

bonds, unsecured debt instruments, and preferred stock) in connection with a universal shelf registration statement, and to obtain additional equity capital by issuing common stock and receiving paid-in capital contributions, pursuant to the terms and conditions as described in its Application, all in an aggregate amount not to exceed \$500 million at any time, or from time to time, through February 15, 2010.

2. The Commission's approval of Laclede Gas Company's Application remains subject to the following terms and conditions, as specified in Staff's recommendation:

- (a) That the Company be authorized to issue and sell securities, and receive paid-in capital, pursuant to the terms and conditions described in the Application, in an aggregate amount not to exceed \$500 million at any time, or from time to time, through February 15, 2010, and that the Company shall not be authorized to use any portion of the \$500 million for any purpose other than for the exclusive benefit of Laclede Gas Company's regulated operations, as such purposes are specified in Section 393.200, and not for the other operations of The Laclede Group, Inc or any of its affiliates or unregulated activities.
- (b) That, if and when individual debt securities are issued under this Application, the Company will submit a verified report to the Commission's Internal Accounting Department documenting such issuance, the use of any associated proceeds and the applicability and measure of fees under Section 386.300.2.
- (c) That the Company shall be also required to file with the Commission all final terms and conditions on this financing including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance.
- (d) That if a fixed rate, the interest rate will not exceed a rate equal to the greater of 300 basis points above the yield on a United States Treasury security with a comparable maturity at the time of the issuance of the Debt or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers. If a variable rate, the basis for determining the interest rate will be defined at the time of issuance, along with any maximum or minimum interest rates

that may be specified for that series; provided, however, that the initial interest rate will not exceed a rate equal to the greater of 300 basis points above the yield on a United States Treasury security with a maturity comparable to the period that the initial interest rate would be in effect, or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers.

- (e) That the Company shall submit to Staff and Public Counsel any information concerning communications with credit rating agencies concerning individual debt securities issued under this Application.
- (f) Laclede Gas Company's total long-term borrowings, including all instruments, shall at no time exceed Laclede Gas Company's regulated rate base.
- (g) That nothing in the Commission's order shall be considered a finding by the Commission of the value of these transactions for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.
- (h) That the Company shall file with the Commission any information concerning use of the funds from the individual debt securities issued under this Application with regard to redemption of any outstanding long-term debt, other than at maturity, including, if applicable, Net Present Value calculations indicating the amount of interest cost savings.
- (i) That the Commission's order in this proceeding shall remain effective for a three-year term from the effective date of the order. In seeking a renewal of the authority granted in this case, Laclede and Staff shall operate under the general time frames set forth for financing cases in the 2004 case management roundtable project.
- (j) That any benefits (including, but not limited to interest income, etc.) derived from securities proceeds during the time between when such proceeds are obtained by Laclede Gas Company and the time when such proceeds are actually put to use shall be used exclusively for the benefit of Laclede Gas Company regulated operations and not for the other operations of The Laclede Group, Inc. or any of its affiliates or non-regulated activities.

- (k) That Laclede Gas Company shall make available to the Staff sufficient documentation to ensure that the funds acquired through issuance of securities under this Application, and any benefits (including, but not limited to, interest income, etc.) derived on such funds as described in Recommendation No. 10, shall be used exclusively for the benefit of Laclede Gas Company regulated operations, and not for the other operations of The Laclede Group, Inc. or any of its affiliates or non-regulated activities.

3. Laclede Gas Company is authorized to enter into, execute, deliver and perform the necessary agreements, indentures, notes, and other documents and filings concerning the Registered Securities and Common Stock, as those terms are defined in the Application.

4. This order shall become effective on March 6, 2007.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton and Appling, CC., concur
Gaw, C., dissents

Lane, Regulatory Law Judge