

Exhibit No.:
Issue: *Application Recommendation*
Witness: *STEPHEN M. RACKERS*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *GM-2001-342*
Date Prepared: *May 17, 2001*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED²
MAY 17 2001

REBUTTAL TESTIMONY

Missouri Public
Service Commission

OF

STEPHEN M. RACKERS

LACLEDE GAS COMPANY

CASE NO. GM-2001-342

Jefferson City, Missouri
May 2001

REBUTTAL TESTIMONY

OF

STEPHEN M. RACKERS

LACLEDE GAS COMPANY

CASE NO. GM-2001-342

Q. Please state your name and business address.

A. Stephen M. Rackers, 815 Charter Commons Drive, Suite 100 B,
Chesterfield, Missouri 63017.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission
(Commission), as a member of the Accounting Department Staff (Staff). I am a
Regulatory Auditor V in the St. Louis office.

Q. Please describe your educational background.

A. I graduated from the University of Missouri at Columbia, Missouri in
1978, from which I received a Bachelor of Science degree in Business Administration,
majoring in Accounting. I have passed the Uniform Certified Public Accountant
examination and have been licensed in the state of Missouri since 1992.

Q. What has been the nature of your duties while in the employ of this
Commission?

A. I have supervised and assisted in audits and examinations of the books and
records of public utility companies operating within the state of Missouri. On
Schedule 1, attached to this testimony, I have listed cases in which I have previously filed
testimony. Schedule 1 is incorporated herein by reference.

Q. What is the purpose of your rebuttal testimony?

Rebuttal Testimony of
Stephen M. Rackers

1 A. My rebuttal testimony will respond to the direct testimonies of Laclede
2 Gas Company (Laclede or Company) witnesses Gerald T. McNeive and Patricia A.
3 Krieger. My rebuttal testimony will also explain part of the Staff's recommendation
4 regarding the Reorganization Application of Laclede (Application) docketed in Case No.
5 GM-2001-342. Specifically, my rebuttal testimony will address a portion of the Staff's
6 concerns and recommended conditions relating to the areas of Commission authority and
7 jurisdiction, access to records, accounting procedures and reporting requirements.

8 Q. What is the Staff's recommendation with regard to the Application?

9 A. The Staff recommends conditional approval of the Application. The
10 Staff's proposed conditions, regarding the areas addressed in my testimony, are attached
11 as Schedules 2 and 3, which are incorporated herein by reference. The Staff's
12 recommended financial conditions are provided in the testimony of Staff witness
13 Ronald L. Bible of the Financial Analysis Department.

14 Q. Why does the Staff believe its proposed conditions are necessary for
15 approval of the Application?

16 A. The Staff believes that its proposed conditions must accompany approval
17 of the Application to provide the safeguards necessary to ensure that the restructuring of
18 Laclede is not detrimental to the public interest.

19 Q. Please explain the proposed conditions that appear in Schedules 2 and 3.

20 A. Items 1 through 4 of Schedule 2 address the concern that approval of the
21 Application may change and/or limit the Commission's authority and ability to regulate
22 Laclede after the reorganization takes place. Item 1 of Schedule 2 and Schedule 3 in its
23 entirety deal with the Staff's concern with the potential preemption of the Commission's
24 authority by the decisions of the Securities and Exchange Commission (SEC) and the

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1 Federal Energy Regulatory Commission (FERC). Items 2 through 4 of Schedule 2 deal
2 with the Staff's concerns with the disposition of utility assets; transfer of employees; and,
3 access to the books, records and personnel of Laclede after the reorganization

4 Item 5 of Schedule 2 requires Laclede to maintain and annually submit a Cost
5 Allocation Manual (CAM), which provides information concerning the affiliated and/or
6 non-regulated transactions engaged in by the Company. The CAM also identifies the
7 policies and procedures that are to be followed in developing this information. This
8 requirement will allow the Commission the opportunity to examine the number, amount
9 and type of affiliated transactions engaged in by the Company on an annual basis. This
10 condition is necessary to ensure that Laclede maintains the proper records to allow parties
11 to verify that consumers are not being harmed by the affiliate transactions that will take
12 place as a result of this restructuring. In the Southwestern Bell Telephone Company
13 complaint case, No. TC-93-224, the Commission recognized the difficulty created by
14 affiliated transactions without adequate record keeping.

15 Item 6 of Schedule 2 requires the Company to identify the jurisdictions in which it
16 files affiliated transaction information. This condition is designed to provide access to
17 additional information to supplement the Commission's surveillance of Laclede's
18 affiliated transactions at minimal cost to the Company.

19 Item 7 of Schedule 2 requires the Company to identify, describe and provide an
20 accounting of all the costs associated with the reorganization of Laclede. This
21 identification will facilitate the future regulatory disposition of these costs. These costs
22 are not required for safe and adequate service and are also non-recurring. Therefore, it is
23 important that Laclede have adequate records to allow parties the opportunity to remove
24 these costs from future rates.

1 Item 8 of Schedule 2 requires the Company to provide an explanation in the event
2 any final accounting entries associated with the reorganization deviate more than 10%
3 from the pro forma entries that appear in Exhibit 4 to the Application. This requirement
4 is designed to ensure that Laclede has provided meaningful and accurate information to
5 the Commission regarding the financial impact of the corporate reorganization requested
6 in this case.

7 Q. Has the Staff previously proposed all of these conditions with regard to
8 any previous application for reorganization?

9 A. Yes. These or similar conditions were utilized by the Staff in the current
10 Kansas City Power & Light Company Case No. EM-2001-464, its application for
11 corporate reorganization. The Staff has designed its proposed conditions in this case
12 using the same underlying concepts.

13 In addition, many of the conditions used by the Staff in this case were also
14 approved by the Commission in Union Electric Company's Case No. EM-96-149,
15 regarding its merger with Central Illinois Public Service Company.

16 Q. Do you agree with the statements of Company witness McNeive, on
17 page 8 of his direct testimony, that the reorganization of Laclede will in no way diminish
18 the Commission's jurisdiction?

19 A. No. Without proper safeguards being imposed, the potential for limitation
20 of the Commission's jurisdiction and authority exists, due to potential preemption of the
21 Commission's current regulatory powers by federal regulatory agencies. The Staff's
22 conditions address the potential opportunity for Laclede or its affiliates to seek to
23 overturn Commission actions on the basis that the subject of the Commission action
24 resulted from filings with or approvals from the SEC or the FERC.

1 Organizational separation of Laclede's current regulatory operations will also
2 hinder the Commission's discovery powers regarding information related to activities
3 engaged in with affiliates. For example, after the reorganization, Laclede may seek to
4 object to certain discovery on the basis that particular records and employees are no
5 longer under the control of the Company.

6 Q. Do you agree with Mr. McNeive's statements on page 8 and 9 of his direct
7 testimony, that there will be no transfer of utility assets and no significant transfer of
8 employees to the holding company or any affiliate as a result of the reorganization?

9 A. The Staff believes these statements will be correct at the date of the
10 reorganization. However, these statements may not hold true in the future. The Staff's
11 conditions address this situation in the proposed requirements for Laclede to seek
12 Commission approval for future asset transfers and notification of future decisions to
13 transfer employees.

14 Q. On page 9 of his direct testimony, Mr. McNeive states that there will be no
15 dilution of talent and diversion of management attention from the provision of regulated
16 service as a result of the reorganization. Does the Staff have concerns in this area?

17 A. Yes. As Mr. McNeive discusses on page 7 of his direct testimony, one of
18 the reasons for the reorganization is to allow the unregulated subsidiaries additional
19 flexibility to pursue business opportunities. Since employees of Laclede currently
20 provide services to both regulated and unregulated operations, future growth in
21 unregulated operations will likely require additional manpower and management
22 attention as the Corporation group assumes more risky endeavors. This shift in focus
23 toward unregulated operations has the potential to be detrimental to the regulated
24 operations.

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1 Q. Does the Staff believe the CAM discussed in and attached to the testimony
2 of Company witness Krieger should be modified?


3 A. Yes. The CAM should be modified as a condition for approval of the
4 Application. These modifications appear in sections 5.a through 5.i of Schedule 2 to my
5 rebuttal testimony. As previously discussed, these conditions are necessary to ensure that
6 Laclede maintains proper records to allow for verification that customers are not being
7 harmed by the affiliated transactions that will occur as a result of this restructuring.

8 Q. Does this conclude your rebuttal testimony?

9 A. Yes, it does.

In the Matter of the application of)
Laclede Gas Company for an Order) Case No. GM-2001-342
Authorizing Its Plan to Restructure Itself)
into a Holding Company, Regulated Utility)
Company, and Unregulated Subsidiaries.)

STATE OF MISSOURI)
)
COUNTY OF COLE) SS.


Stephen M. Rackers

Stuzell Hankin

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NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21, 2004

RATE PROCEEDING PARTICIPATION

STEPHEN M. RACKERS

<u>Company</u>	<u>Case Number</u>
Bowling Green Gas Company	GR-78-218
Central Telephone Company	TR-78-258
Empire District Electric Company	ER-79-19
Fidelity Telephone Company	TR-80-269
St. Louis County Water Company	WR-80-314
Union Electric Company	ER-81-180
Laclede Gas Company	GR-81-245
Great River Gas Company	GR-81-353
Union Electric Company	ER-82-52
Laclede Gas Company	GR-82-200
St. Louis County Water Company	WR-82-249
Union Electric Company	ER-83-163
Union Electric Company	ER-84-168
Arkansas Power and Light Company	ER-85-20
Kansas City Power and Light Company	ER-85-128
Arkansas Power and Light Company	ER-85-265
Union Electric Company	EC-87-114
Union Electric Company	GR-87-62
Southwestern Bell Telephone Company	TC-89-14
St. Louis County Water Company	WR-89-246
Laclede Gas Company	GR-90-120
Missouri Cities Water Company	WR-91-172
St. Louis County Water Company	WR-91-361
Laclede Gas Company	GR-92-165
Missouri Pipeline Company	GR-92-314
St. Louis County Water Company	WR-92-204

<u>Company</u>	<u>Case Number</u>
St. Louis County Water Company	WR-94-166
St. Louis County Water Company	WR-95-145
Union Electric Company	ER-95-411
St. Louis County Water Company	WR-96-263
St. Louis County Water Company	WR-97-382
Laclede Gas Company	GR-99-315
Missouri-American Water Company	WR-2000-281 et al
St. Louis County Water Company	WR-2000-844

**THE STAFF'S PROPOSED CONDITIONS FOR APPROVAL OF LACLEDE GAS
COMPANY'S APPLICATION FOR REORGANIZATION**

CASE NO. GM-2001-342

1. The Commission's current jurisdiction over the Company's operations stays intact.
 - a. The Commission may make its determination regarding the ratemaking treatment to be accorded the creation of a service company, if formed, in a subsequent ratemaking proceeding. Laclede Gas Company will provide the Staff and Public Counsel with copies of all documents that must be filed with the SEC and FERC relating to the creation of a service company.
 - b. Laclede Gas Company, its affiliates, the holding company and any service company, if formed, will not seek to preempt any action of the Commission on the basis that the subject of the Commission action was itself filed with or approved by the SEC, or resulted from an arrangement between Laclede Gas Company and any of its affiliates that was filed with or approved by the SEC.
 - c. In the event that a court with jurisdiction over Laclede Gas Company, its affiliates, the holding company and any service company, if formed, issues an opinion or order invalidating any action of the Commission on the basis that the subject of the Commission action was itself filed with or approved by the SEC, or resulted from an arrangement between Laclede Gas Company and any of its affiliates that was filed with or approved by the SEC, the procedure described in Schedule 3 will apply, at the option of the Commission.
 - d. Laclede Gas Company, its affiliates, the holding company and any service company, if formed, will not seek to preempt any action of the Commission on the basis that the subject of the Commission action was itself filed with or approved by the FERC, or resulted from an arrangement between Laclede Gas Company and any of its affiliates that was filed with or approved by the FERC.
 - e. In the event that a court with jurisdiction over Laclede Gas Company, its affiliates, the holding company and any service company, if formed, issues an opinion or order invalidating any action of the Commission on the basis that the subject of the Commission action was itself filed with or approved by the FERC, or resulted from an arrangement between Laclede Gas Company and any of its affiliates that was filed with or approved by the FERC, the procedure described in Schedule 3 will apply, at the option of the Commission.
 - f. The Holding Company will not, directly or indirectly, acquire or merge with, or allow itself to be acquired by or merged with a public utility or the affiliate of a public utility, where the affiliate has a controlling interest in a public utility, without prior approval from the Commission and a finding that the transaction will not be detrimental to the public.
 - g. Laclede Gas Company will provide to the Commission and Public Counsel with copies of all documents that must be file with the SEC and FERC relating to affiliated transactions. The Commission may make its determination regarding the ratemaking treatment to be accorded these transactions in a subsequent ratemaking proceeding.
2. There will be no sale, lease, assignment or transfer of utility assets by Laclede Gas Company to its affiliates, the holding company or any service company, if formed, without Commission approval.

3. Laclede Gas Company will provide notification to the Staff and Public Counsel in the event it makes the decision to transfer any job positions, departments and/or functions to an affiliate, the holding company, any service company, if formed, another corporation or business entity.
4. The books, records and personnel of Laclede Gas Company, the holding company, affiliates and any service company, if formed, will be made available to the Staff and OPC at reasonable times and places, as provided under law and Commission rules.
 - a. Laclede Gas Company, the holding company, affiliates and any service company, if formed, will not object on the basis that the production of records or personnel is not subject to Commission authority and jurisdiction or are not in the control or custody of Laclede Gas Company.
 - b. Laclede Gas Company, each affiliate and the holding company will maintain records supporting its affiliated transactions for at least five years.
5. A Cost Allocation Manual will include and provide in an annual submittal to the Staff and Public Counsel:
 - a. For all Laclede Gas Company functions that will provide support to nonregulated affiliates and the holding company:
 - (1) A list and description of each function.
 - (2) The positions and numbers of employees providing each function.
 - (3) The procedures used to measure and assign costs to nonregulated affiliates and the holding company for each function.
 - b. A list and description of each service and good that will be provided to Laclede Gas Company from each affiliate and the holding company.
 - c. A list and description of each service and good that will be provided by Laclede Gas Company to each affiliate and the holding company.
 - d. The dollar amount of each service and good charged to each affiliate and the holding company by Laclede Gas Company, and the total cost related to each service and good listed.
 - e. The dollar amount of each service and good purchased from each affiliate and the holding company by Laclede Gas Company, and the total cost related to each service and good listed.
 - f. A detailed discussion of the basis for determining the charges from Laclede Gas Company, each affiliate and the holding company, including:
 - (1) If costs are allocated, a detailed description of the allocation process employed for each service and good.
 - (2) Detailed descriptions of how direct, indirect and common activities are assigned for each service and good.
 - (3) A detailed description of how market values are determined for each service and good.

- (4) A detailed discussion of the criteria used to determine whether volume discounts and other pricing considerations are provided to Laclede Gas Company, affiliates and the holding company.
 - g. For each nonregulated activity that will be engaged in by Laclede Gas Company with non-affiliated third party customers following formation of a holding company:
 - (1) A list and description of each nonregulated activity.
 - (2) The total amount of revenues and expenses for each nonregulated activity for the last calendar year.
 - (3) A listing of all Laclede Gas Company cost centers and/or functions that directly assign cost, indirectly assign cost and/or allocate cost to each nonregulated activity engaged in by Laclede Gas Company with non-affiliates.
 - h. A Code of Conduct to ensure adherence to its policies and practices.
 - (1) Training will be provided and information disseminated regarding the Company's current policies and procedures and any future modifications.
 - (2) The Company will enforce penalties, including possible termination, for non-compliance with its policies and procedures.
 - (3) A designated person will be responsible for enforcement of the policies and procedures.
 - (4) Laclede Gas Company will conduct regularly scheduled internal and/or external audits to examine compliance with its policies and procedures.
 - (5) At least once a year Laclede Gas Company will consider whether modifications to the Code of Conduct are necessary to support appropriate compliance with its policies and procedures. Any modifications made will be provided as part of the annual CAM filing.
 - i. Organization charts for the holding company (corporate structure), Laclede Gas Company and any affiliate doing business with Laclede Gas Company.
- 6. Laclede Gas Company will provide a list of all jurisdictions in which Laclede Gas Company, the holding company, affiliates and service company, if formed, file affiliate transaction information.
- 7. Laclede Gas Company will not seek to recover any costs related to the restructuring from ratepayers. These costs will be identified, described and accounted for in a manner that will enable the Staff to seek disallowance from rates, if necessary, in a future proceeding.
- 8. Laclede Gas Company will provide the Staff and Public Counsel with an explanation for any final reorganization journal entry that deviates by more than 10% from the estimated proforma entries provided in Exhibit 4 of the Application. Copies of the actual journal entries will be provided to the General Counsel's Office no later than thirty days following the preparation of the final merger closing entries.

**OPTIONAL PROCEDURE REGARDING COURT DECISIONS
LACLEDE GAS COMPANY'S APPLICATION FOR REORGANIZATION**

CASE NO. GM-2001-342

1.0 APPLICABILITY

- 1.1 Principles stated in this Procedure (Procedure) shall govern the situations described in Sections 1.c and 1.e of Schedule 2, The Staff's Proposed Conditions For Approval.
- 1.2 Changes to this Procedure may be proposed from time-to-time by Laclede Gas Company (Laclede) or The Laclede Group, Inc. (TLG), the Commission Staff or the Office of the Public Counsel ("OPC" or "Public Counsel"), subject to the approval of the Commission; provided, however, that Laclede, the Commission Staff and the OPC shall meet and discuss any such proposed changes prior to the submission of such changes to the Commission by Laclede or TLG, the Commission Staff or the OPC.

2.0 DEFINITIONS

When used in this Procedure the following terms shall have the respective meanings set forth below:

- 2.1 "Affiliate" means an entity that is TLG, a subsidiary of Laclede, a subsidiary of TLG (other than Laclede), or other subsidiary within the Holding Company organization.
- 2.2 "Affiliate Contract" means an Affiliate Operating Contract, an Affiliate Sales Contract, an Affiliate Surety Contract, a Section 205 Contract, a Service Agreement, or an amendment to any such contract.
- 2.3 "Affiliate Operating Contract" means a contract, other than a Section 205 Contract, between Laclede and one or more of its Affiliates providing for the operation of any part of Laclede's generating, transmission and/or distribution facilities by such Affiliate(s).
- 2.4 "Affiliate Sales Contract" means a contract, other than an Affiliate Operating Contract or a Section 205 Contract, between Laclede and one or more of its Affiliates involving the purchase of Assets, Goods or Services.
- 2.5 "Affiliate Surety Contract" means a contract between Laclede and one or more of its Affiliates involving the assumption by Laclede of any liability as a guarantor, endorser, surety, or otherwise in respect of any security or contract of an Affiliate.

- 2.6 "Assets" means any land, plant, equipment, franchises, licenses, or other right to use assets.
- 2.7 "Commission" means the Missouri Public Service Commission or any successor governmental agency.
- 2.8 "Commission Staff" or "Staff" means the Staff of the Missouri Public Service Commission.
- 2.9 "Entity" means a corporation or a natural person.
- 2.10 "FERC" means the Federal Energy Regulatory Commission, or any successor governmental commission.
- 2.11 "Goods" means any goods, inventory, materials, supplies, appliances, or similar property (except electric energy and capacity).
- 2.12 "Non-Utility Affiliate" means an Affiliate which is neither a public utility nor a Utility Service Company.
- 2.13 "OPC" or "Public Counsel" means the Office of the Public Counsel.
- 2.14 "Review Period" means a period of ninety (90) consecutive calendar days commencing on the first day immediately following the date that Laclede or TLG submits an Affiliate Contract to the Commission for the Commission Staff's review. Any part of the Review Period for a particular Affiliate Contract may be waived by agreement of Laclede, the Commission Staff and the OPC.
- 2.15 "SEC" means the United States Securities and Exchange Commission, or any successor governmental agency.
- 2.16 "Section 205 Contract" means an interconnection, interexchange, pooling, operating, transmission, power sale or ancillary power services contract or similar contract entered into between Laclede and an Affiliate and subject to regulation by the FERC pursuant to § 205 of the Federal Power Act, 15 U.S.C. § 824d, or any successor statute.
- 2.17 "Service Agreement" means the agreement entered into between Laclede, TLG, and an affiliated or subsidiary service company, under which services are provided by such services company to Laclede and TLG.
- 2.18 "Services" means the performance of activities having value to one party, such as managerial, financial, accounting, legal, engineering, construction, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, and other similar services.

- 2.19 "Subsidiary" means any corporation 10 percent (10%) or more of whose voting capital stock is controlled by another Entity; Subsidiaries of TLG are those corporations in which TLG owns directly or indirectly (or in combination with TLG's other Affiliates) 10 percent (10%) or more of such corporation's voting capital stock.
- 2.20 "Laclede's Holding Company" means TLG or its successor in interest.
- 2.21 "Utility Affiliate" means an Affiliate of Laclede which is also a public utility.
- 2.22 "Utility Service Company" means an Affiliate whose primary business purpose is to provide administrative and general or operating services to Laclede and Utility Affiliate(s).

3.0 **AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE SEC**

The following will apply to Affiliate Contracts that are required to be filed with the SEC.

- 3.1 Prior to filing any such Affiliate Contract with the SEC or the Commission, Laclede will submit to the Commission Staff, the OPC, and the appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the SEC and the Commission.
- 3.1.1 If the Commission Staff clears the contract for filing, or does not object to it, and no objections from affected parties are submitted to Laclede (with a copy to the Commission Staff) during the Review Period for such contract, Laclede may file such contract with the SEC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.
- 3.1.2 If, during the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if an objection(s) is submitted to Laclede (with a copy to the Commission Staff) by an affected party (or parties), Laclede may file the contract with the Commission, but shall not file the contract with the SEC until at least thirty (30) days after the date that it is filed with the Commission; provided, that both such filings shall disclose the Commission Staff's recommendation or the objection(s) regarding the contract; provided, further, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, Laclede shall not file the contract with the SEC unless and until Laclede receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the

receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary authorizations.

3.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law, reject or disapprove the contract, and upon such rejection or disapproval:

3.2.1 If such contract has not yet been accepted or approved by the SEC, Laclede will, as soon as possible, file to seek to withdraw its filing requesting SEC acceptance or approval of such contract; or

3.2.2 If such contract has been accepted or approved by the SEC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, Laclede will:

a. terminate such contract according to its terms; or

b. at its sole option, take such steps as are necessary to cause such contract to be amended in order to remedy the Commission's adverse findings with respect to such contract; Laclede will refile such amended contract with both the Commission and the SEC; such amendment will become effective only upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will remain in effect until such authorizations are received; if the SEC does not finally accept or approve such amendment within one (1) year from the date of Laclede's filing of such amendment with the SEC, Laclede will, upon request of the Commission, terminate the contract according to its terms.

3.2.3 If such contract has been accepted or approved by the SEC, and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, Laclede will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. Laclede will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, Laclede shall file such amended contract with the Commission and the SEC under the procedures set forth in this Section 3. If no agreement can be reached satisfactory to each contracting party and to each affected state commission, after good faith negotiations, Laclede has no further obligations under this Procedure. Nothing herein affects,

modifies or alters in any way the rights and duties of the Commission under applicable state and federal law.

4.0 **AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE FERC**

The following will apply to Affiliate Contracts that are required to be filed with the FERC.

- 4.1 Prior to filing any Affiliate Contract with the FERC or the Commission, Laclede will submit to the Commission Staff, the OPC and appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the FERC and the Commission.
 - 4.1.1 If the Commission Staff clears the contract for filing, or does not object thereto, and no objections from affected parties are submitted to Laclede, (with a copy to the Commission Staff) during the Review Period for such contract, Laclede may file such contract with the FERC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.
 - 4.1.2 If, during or upon the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if any objection(s) is submitted to Laclede (with a copy to the Commission Staff) by an affected party (or parties), Laclede may file the contract with the Commission, but shall not file the contract with the FERC until at least thirty (30) days after the date that it is filed with the Commission; provided, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, Laclede shall not file the contract with the FERC unless and until Laclede receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.
- 4.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law, reject or disapprove the contract, and upon such rejection or disapproval:
 - 4.2.1 If such contract has not yet been accepted or approved by the FERC, Laclede will, as soon as possible, file to seek to withdraw its filing requesting the FERC acceptance or approval of such contract; or

4.2.2 If such contract has been accepted or approved by the FERC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, Laclede will:

- a. terminate such contract according to its terms; or
- b. at its sole option, take such steps as are necessary to cause such contract to be amended in order to remedy the Commission's adverse findings with respect to such contract; Laclede will refile such amended contract with the Commission and the FERC; such amendment will become effective only upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will continue in effect until such authorizations are received; if the FERC does not finally accept or approve such amendment within one (1) year from the date of Laclede's filing of such amendment with the FERC, Laclede will, upon request of the Commission, terminate the contract according to its terms.

4.2.3 If such contract has been accepted or approved by the FERC and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, Laclede will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. Laclede will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, Laclede shall file such amended contract with the Commission and the FERC under the procedure set forth in this Section 4. If no agreement can be reached satisfactory to each contracting party and each affected state commission, after good faith negotiations, Laclede has no further obligations under this Procedure. Nothing herein affects, modifies or alters in any way the rights and duties of the Commission under applicable state and federal law.