

ORDER APPROVING STIPULATION AND AGREEMENT, GRANTING WAIVER, AND APPROVING COST ALLOCATION MANUAL

Issue Date: August 14, 2013

Effective Date: August 24, 2013

On July 16, 2013, Laclede Gas Company, the Staff of the Commission, and the Office of the Public Counsel jointly filed a Unanimous Partial Stipulation and Agreement and Waiver Request and Request for Approval of Cost Allocation Manual. The parties filed the stipulation and agreement in eight cases. The first of those cases is GC-2011-0098, which is a complaint filed by Staff against Laclede. The stipulation and agreement would resolve all issues in that complaint and if approved, will result in the dismissal, with prejudice of Staff's complaint and Laclede's counter-claim.

The stipulation and agreement was also filed in seven other cases, which concern Laclede's actual cost adjustments for 2004 through 2011 (the ACA cases). The stipulation and agreement resolves only one issue in the ACA cases. Thus, for the ACA cases, the submitted stipulation and agreement is a partial stipulation and agreement.

The complaint case, GC-2011-0098, was brought by Staff against Laclede alleging that Laclede's Cost Allocation Manual (CAM) fails to comply with the Commission's affiliate transaction rules; that Laclede failed to obtain Commission approval of its CAM; and that Laclede failed to annually submit its CAM to Staff. Laclede filed a counter-claim to Staff's complaint, alleging that Staff did not have a good faith, non-frivolous argument for its position and was therefore in violation of Commission rule 4 CSR 240-2.080(7).

The stipulation and agreement resolves Staff's complaint by submitting for Commission approval a revised CAM that is acceptable to Laclede, Staff, and Public Counsel. It also includes Laclede's agreement to file all current and future versions of its

CAM in the Commission's electronic filing system (EFIS), and to notify Staff and Public Counsel of any such filings via e-mail. In addition, Laclede will continue to file in EFIS its annual CAM report detailing its affiliate transactions for the preceding fiscal year. Upon the Commission's approval of the stipulation and agreement, both Staff's complaint and Laclede's counter-claim in EC-2011-0098 will be dismissed with prejudice.

The stipulation and agreement addresses an issue pending in the seven ACA cases by setting forth and asking the Commission to approve a document entitled Gas Supply and Transportation Standards of Conduct. That document would control Laclede's dealings with natural gas suppliers, including its dealings with affiliated suppliers. Among other things, the Standards of Conduct:

- Require that all multi-month (longer than one-month) purchases of gas by Laclede from any supplier, including an affiliate, be done only through a competitive bid and award process;
- Require that all short-term (one-month or less) purchases of gas by Laclede from any supplier, including an affiliate, be done through a competitive bid and award process, except for emergency short-term purchases;
- Detail the bidding practices, supplier diversity, credit, reliability considerations, and other information that must be contemporaneously documented, maintained, and provided by Laclede to make such a determination for multi-month or short-term gas purchases;
- Detail the contemporaneous documentation requirements and information exchange process for sales of gas supply;

- Detail how Laclede's releases and purchases of transportation and storage capacity are to be conducted; and
- Detail how purchases of unsolicited gas supply are to be considered and documented.

In addition to concerns about future transactions that are addressed in the Standards of Conduct, the seven pending ACA cases also contain issues about past affiliate transactions between Laclede and its affiliated gas marketing company, Laclede Energy Resources (LER). The stipulation and agreement provides that those issues are to be considered resolved in each of the ACA cases with no adjustment to Laclede's ACA balances, provided that Laclede shall file the tariff modification set forth in Appendix 3 to the stipulation and agreement. That tariff modification will reduce the percentage of Off-System Sales/Capacity Release net margins retained by Laclede during its next three fiscal years beginning October 1, 2013 from 15 percent to zero percent for the first two million dollars in such net margins. The parties agree that those percentages will not be changed for three years except in limited circumstances.

The signatories to the stipulation and agreement believe that Laclede's compliance with the practices, processes, and procedures set forth in the Gas Supply and Transportation Standards of Conduct should result in prices that are consistent with the Commission's Affiliate Transaction Rules, 4 CSR 240-40.015 and 4 CSR 240-40.016. For that reason, the signatories ask the Commission to grant Laclede a variance, as more fully described in the stipulation and agreement, from the provisions of that rule pertaining to

“fully distributed cost”. Such variances are allowed by the rule¹ and the Commission will grant the requested variances.

After reviewing the stipulation and agreement, the Commission independently finds and concludes that such stipulation and agreement is in the public interest and should be approved.

THE COMMISSION ORDERS THAT:

1. The Stipulation and Agreement filed on July 16, 2013, is approved as a resolution of the issues addressed in that stipulation and agreement. The signatory parties are ordered to comply with the terms of the stipulation and agreement. A copy of the stipulation and agreement is attached to this order, and is incorporated herein by reference.

2. The Cost Allocation Manual submitted by Laclede Gas Company is approved.

3. Laclede Gas Company is granted a variance from the provisions of Commission Rules 4 CSR 240-40.015 and 4 CSR 240-40.016, as described in the stipulation and agreement.

4. Laclede Gas Company shall issue the tariff sheet set forth as Appendix 3 to the stipulation and agreement.

5. Once all issues have been resolved in Laclede Gas Company’s pending ACA cases, Staff shall file an updated recommendation regarding ending balances for each such case.

¹ 4 CSR 240-40.015(10) and 4 CSR 240-40.016(11).

6. This order shall become effective on August 24, 2013.



BY THE COMMISSION

A handwritten signature in black ink that reads "Morris L. Woodruff". The signature is written in a cursive, flowing style.

Morris L. Woodruff
Secretary

R. Kenney, Chm., Jarrett, Stoll, and
W. Kenney, CC., concur.

Woodruff, Chief Regulatory Law Judge