

Exhibit No.
Issue: Cost Calculation
Witness: James A. Fallert
Type of Exhibit: Direct Testimony
Sponsoring Party: Laclede Gas Company
Case No.: GU-2007-0138
Date Testimony
Prepared: March 24, 2008

LACLEDE GAS COMPANY

GU-2007-0138

TESTIMONY

OF

JAMES A. FALLERT

MARCH 2008

Exhibit No. 1
Case No(s) GU-2007-0138
Date 3/31/08 Rptr MV

TESTIMONY OF JAMES A. FALLERT

GENERAL INFORMATION / QUALIFICATIONS

1

2 Q. Please state your name and business address.

3 A. My name is James A. Fallert, and my business address is 720 Olive Street, St.
4 Louis, Missouri 63101.

5 Q. What is your present position?

6 A. I am Controller for Laclede Gas Company ("Laclede" or "Company").

7 Q. Please state how long you have held your position and briefly describe your
8 responsibilities.

9 A. I was appointed to my present position in February 1998. In this position, I am
10 responsible for the Company's accounting, budgeting, management
11 information reporting, and financial planning functions.

12 Q. Will you briefly describe your experience with Laclede prior to becoming
13 Controller?

14 A. I joined Laclede in July 1976 and held various staff and supervisory positions
15 in the Methods and Procedures Department, Internal Audit Department, and
16 Budget Department until April 1988, when I was promoted to the position of
17 Manager of Budget and Financial Planning. I held this position until being
18 promoted to Manager of Financial Services in February 1992. I was elected
19 Controller effective February 1, 1998.

20 Q. What is your educational background?

1 A. I graduated from Southeast Missouri State University in 1976 with the degree
2 of Bachelor of Science in Business Administration, majoring in administrative
3 management. In 1981, I received a Master's Degree in Business
4 Administration from Saint Louis University.

5 Q. Have you previously filed testimony before this Commission?

6 A. Yes, I have, in Case Nos. GR-90-120, GR-92-165, GR-94-220, GR-96-193,
7 GR-98-374, GR-99-315, GR-2001-629, GR-2002-356, GT-2003-0117, GO-
8 2004-0443, GR-2005-0284, GC-2006-0318 and GR-2007-0208.

9 **PURPOSE OF TESTIMONY**

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to present evidence to the Commission
12 supporting the compliance cost amount that the Company and the Staff of the
13 Missouri Public Service Commission ("Staff") have recommended be
14 approved by the Commission in connection with the Permanent Amendment to
15 the Cold Weather Rule that was adopted by the Commission in 2006 and that
16 is now contained in 4 CSR 240-13.055(14). This includes sponsoring the
17 truth and accuracy of the facts set forth or referenced in the Non-Unanimous
18 Stipulation of Facts attached to my testimony as Schedule 1.

19 **RECOMMENDED COMPLIANCE COST AMOUNT**

20 Q. What compliance cost amount is Laclede and the Staff recommending be
21 approved by the Commission?

1 A. As shown in the Non-Unanimous Stipulation and Agreement filed in this case
2 on February 28, 2008, the Company and Staff are recommending that Laclede
3 be authorized to recover in its next general rate case proceeding compliance
4 costs associated with the Permanent Amendment in the amount of \$2,494,311.
5 The Company and Staff are also recommending that additional interest at
6 Laclede's annual short-term borrowing rate be permitted to accumulate
7 beginning September 30, 2007.

8 Q. Have the Company and Staff prepared a Non-Unanimous Stipulation of Facts
9 to support and explain the derivation of this recommended amount, including
10 why the recommended amount is consistent with the explicit language of the
11 Permanent Amendment to the Cold Weather Rule?

12 A. Yes. A copy of this Non-Unanimous Stipulation of Facts is attached to my
13 testimony as Schedule 1.

14 Q. Are all of the facts set forth or referenced in the Non-Unanimous Stipulation of
15 Facts in Schedule 1, as well as in the Exhibits attached thereto, true and correct
16 to the best of your knowledge and belief?

17 A. Yes. All of these facts are true and correct to the best of my knowledge and
18 belief. This includes both the facts and exhibits contained in, or attached to,
19 the Non-Unanimous Stipulation of Facts, as well as the Request for
20 Determination of the Cost of Compliance with the Permanent Amendment to
21 the Cold Weather Rule which was filed by the Company in this case on
22 October 31, 2007, and which I am also sponsoring as part of this testimony.

1 Q. Please summarize why you believe the facts set forth or referenced in the Non-
2 Unanimous Stipulation of Facts demonstrate that the compliance cost amount
3 being recommended by the Company and Staff has been calculated in
4 accordance with the explicit language contained in the Permanent Amendment
5 to the Cold Weather Rule.

6 A. The facts set forth or referenced in the Non-Unanimous Stipulation of Facts,
7 including the Company's October 31, 2007 Request for Determination of Cost
8 of Compliance, show exactly how the various cost components of the overall
9 compliance cost amount, as such components are described in the language of
10 the Permanent Amendment, were derived. In addition, it provides supporting
11 detail – in the form of thousands of individual customer account records – to
12 substantiate exactly how the overall amount being recommended by the
13 Company and Staff was derived from the payment performance of specific
14 customers. Perhaps most importantly, by showing that the recommended
15 compliance cost amount has been derived in the same manner that the Office
16 of Public Counsel previously told this Commission was consistent with the
17 clear language of the Permanent Amendment, I believe that the Non-
18 Unanimous Stipulation of Facts establishes that there is really no legitimate
19 dispute on this score.

20 Q. Is the compliance cost amount being recommended by the Company and Staff
21 in accordance with the language of the Permanent Amendment reasonable in
22 your opinion?

1 A. Without question, I believe it is. Although the Office of the Public Counsel
2 now contends, in direct contradiction of what it has told this Commission
3 before, that the difference in what the Company was entitled to collect under
4 the Permanent Amendment and the pre-existing rule is not a real cost, there is
5 simply no basis for such an assertion, even if it were relevant given the cost
6 calculation language contained in the Permanent Amendment. Simply put, by
7 lowering the amount that the Company could collect up front from customers
8 who wished to restore or maintain service, the Permanent Amendment had the
9 effect of not only permitting more customers with poor payment histories to
10 receive service, but also ensuring that such customers would have significantly
11 larger arrearages going into the winter than would have otherwise been the
12 case. Such a result would undeniably tend to increase arrearages and bad debt
13 levels. Such a change also has the effect of reversing or simply deferring the
14 time when many of these customer accounts would have otherwise been
15 recognized as bad debts on the Company's books, a circumstance that results
16 in an understatement of the bad debt levels currently being recovered in rates.
17 Finally, by requiring the Company to restore or maintain service to more high
18 risk customers than would otherwise be the case, this requirement in the
19 Permanent Amendment would necessarily increase the Company's
20 disconnection and reconnection costs and diminish the resources it had to
21 pursue collection actions for other customers, a factor that has not even been
22 taken into account in the compliance cost amount being recommended by the

1 Company and Staff. For all of these reasons, I believe the Permanent
2 Amendment's recognition of this difference between what was collected and
3 what could have been collected as a cost of compliance is entirely reasonable.

4 Q. Does this conclude your testimony?

5 A. Yes.

SCHEDULE 1 TO DIRECT TESTIMONY OF JAMES A. FALLERT

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

In the Matter of the Application of Laclede)
Gas Company for an Accounting Authority Order)
Authorizing the Company to Defer for Future Recovery) Case No. GU-2007-0138
of the Costs of Complying With the Permanent)
Amendment to the Commission's Cold Weather Rule)

NON-UNANIMOUS STIPULATION OF FACTS

COMES NOW Laclede Gas Company ("Laclede" or "Company") and the Staff of the Missouri Public Service Commission ("Staff"), and submit the following Non-Uniform Stipulation of Facts:

1. On December 13, 2005, the Commission issued its Order approving an emergency amendment to the Commission's Cold Weather Rule ("CWR") (the "CWR Emergency Amendment"), effective January 1, 2006. *See*, Commission Rule 4 CSR 240-13.055, entitled "Cold Weather Maintenance of Service."

2. On August 11, 2006, the Commission issued its Order of Rulemaking in Case No. GX-2006-0434, effective November 1, 2006, in which it adopted on a permanent basis a number of the provisions that had been placed into effect as part of the CWR Emergency Amendment and adopted several new provisions (hereinafter referred to as the "CWR Permanent Amendment"). Among other things, the CWR Permanent Amendment permitted customers who had previously broken a CWR Agreement to reconnect or maintain service by making a smaller upfront arrearage payment than what could have been collected under the pre-existing rule (i.e. the lesser of 50% or \$500 of arrearages versus 80% of arrearages).

3. The CWR Permanent Amendment also contained terms describing how gas utilities should calculate and recover the costs of complying with the CWR

Permanent Amendment. See Section 14 (f) and (g). The CWR Permanent Amendment also directed that gas utilities could calculate and defer costs under the Emergency Amendment upon the same terms as those set forth in the Permanent Amendment. For the Commission's convenience, a copy of the Commission's Final Order of Rulemaking in Case No. GX-2006-0434 is attached hereto as Exhibit 1.

4. On August 21, 2006, Public Counsel filed an Application for Rehearing of the Commission's Order of Rulemaking in Case No. GX-2006-0434, a copy of which is attached hereto as Exhibit 2. In its Application for Rehearing, Public Counsel alleged that the terms of the CWR Permanent Amendment could permit gas utilities to recover amounts in excess of the cost of complying with the new rule provisions.

5. In support of its assertion, Public Counsel provided an example in its Application for Rehearing in which it stated that the rule provisions approved by the Commission would permit a gas utility to claim as compliance costs: (a) the additional unpaid arrearages incurred by customers after taking advantage of the new rule provisions, plus (b) the difference between the smaller upfront arrearage payment required under the Permanent Amendment (i.e. the lesser of 50% or \$500 of existing arrearages) and the payment that could have been collected under the pre-existing rule (i.e. 80% of existing arrearages). See Paragraph 4 of Public Counsel's Application for Rehearing, Exhibit 2.

6. By Order dated August 29, 2006, the Commission denied Public Counsel's Application for Rehearing. (See *Order Denying Motions for Rehearing*, set forth in Exhibit 3). Public Counsel did not seek judicial review of the Commission's Order of Rulemaking in Case No. GX-2006-0434.

7. In compliance with the CWR Permanent Amendment, Laclede filed tariff sheets on September 29, 2006, in which it incorporated the provisions of the CWR Permanent Amendment. The tariff sheets filed by Laclede also specified that Laclede would recover the costs of complying with the CWR Permanent Amendment in accordance with the rule provisions set forth in the CWR Permanent Amendment. A copy of the implementing tariff sheets filed by Laclede is set forth in the Exhibit 4 attached hereto. No party opposed or sought to suspend Laclede's tariff filing and the tariff sheets became effective on October 30, 2006. Such tariff sheets remain in effect today.

8. On September 29, 2006, Laclede also filed applications for accounting authority orders ("AAOs") in Case Nos. GU-2007-0137 and GU-2007-0138 to defer for future recovery the costs of complying with the CWR Emergency Amendment and the CWR Permanent Amendment pursuant to the cost calculation and recovery provisions set forth in the CWR Permanent Amendment. No party opposed Laclede's AAO applications and the Commission granted both AAOs on December 7, 2006. Copies of these applications are contained in Exhibit 5, attached hereto.

9. On October 31, 2006, Laclede filed its Request for Determination of the Cost of Compliance with the CWR Emergency Amendment in Case No. GU-2007-0137. On December 1, 2006, Laclede filed its request for a general rate increase in Case No. GR-2007-0208 (the "Rate Case"). Since Laclede would not begin to recover the costs deferred through the CWR Emergency Amendment AAO until the Rate Case was processed anyway, it was deemed more efficient to determine Laclede's cost of compliance with the CWR Emergency Amendment in the Rate Case itself, rather than in

an additional and separate proceeding. Accordingly, on March 14, 2007, Case No. GU-2007-0137 was consolidated with the Rate Case, and the Rate Case was designated as the lead case.

10. On May 4, 2007, Ted Robertson filed direct testimony in the Rate Case on behalf of the Office of the Public Counsel in which he addressed, among other things, the issue of how Laclede's cost of complying with the CWR Emergency Amendment should be calculated so as to comply with the compliance cost calculation and recovery provisions set forth in the CWR Permanent Amendment. A copy of Mr. Robertson's direct testimony as it pertains to this issue is set forth in Exhibit 6 hereto.

11. In his testimony, Mr. Robertson calculated a total compliance cost of \$5,033,655, which included a deferred cost balance of \$4,111,936 and \$921,719 in interest. The \$4,111,936 in compliance costs that Mr. Robertson recommended for recovery in his direct testimony included (a) amounts reflecting the additional unpaid arrearages incurred by customers after taking advantage of the new rule provisions, as well as (b) amounts reflecting the difference between the smaller upfront arrearage payment required under the CWR Emergency Amendment (i.e. the lesser of 50% or \$500 of existing arrearages) and the payment that could have been collected under the prior rule (i.e. 80% of existing arrearages). The compliance costs recommended by Public Counsel also reflected: (a) elimination of certain administrative costs that had been sought by Laclede; (b) an offset to reflect arrearage reductions which had taken place as a result of customer payments made subsequent to the time of reconnection; and (c) an offset for uncollectible expense amounts that may have already been reflected in existing rates.

12. As part of the Unanimous Stipulation and Agreement resolving the Rate Case, the Staff and Laclede agreed to resolve the compliance cost issue relating to the CWR Emergency Amendment in accordance with Public Counsel's recommendations as described above. To that end, the Unanimous Stipulation and Agreement recommended that the Commission permit Laclede to recover the same compliance cost amounts that had been calculated by Public Counsel witness Robertson. The Unanimous Stipulation and Agreement further recommended that such compliance costs be recovered in rates through a five year amortization, a treatment which had also been recommended by Public Counsel witness Robertson. The relevant portions of the Unanimous Stipulation and Agreement are set forth in Exhibit 7, attached hereto.

13. The Unanimous Stipulation and Agreement was presented to the Commission on July 12, 2007. During the course of that presentation, Staff witness Oligschlaeger confirmed that the CWR compliance costs being recommended by the parties were based on the compliance cost quantifications sponsored by Public Counsel witness Robertson in his testimony. Mr. Robertson also addressed the compliance cost issue in response to questions from Commissioner Gaw. Among other things, he noted that he had reviewed the analysis of compliance costs submitted by the Company in accordance with the AAO approved by the Commission. According to Mr. Robertson, he had accepted the Company's analysis, except for an offsetting adjustment to reflect balance reductions resulting from customer payments and the use of a five, rather than three, year amortization for recovery of the compliance costs. Mr. Robertson also indicated that his calculation was consistent with what the Commission had ordered,

observing that, "I had a Commission order to rely on. We followed it." Relevant portions of the transcript of the presentation are set forth in Exhibit 8, attached hereto.

14. The Commission approved the Unanimous Stipulation and Agreement containing these CWR compliance cost amounts on July 19, 2007. No party sought judicial review of the Commission's Order.

15. Because the Rate Case was administered before Laclede could determine its costs to comply with the CWR Permanent Amendment for the winter of 2006-07, cost recovery for that winter could not be included in the settlement of the Rate Case. As a result, Laclede filed its request for determination of such costs on October 31, 2007. Except for the inclusion of administrative costs (which have now been eliminated pursuant to the Non-Unanimous Stipulation and Agreement addressed below), the cost of compliance reflected in the filing was calculated by Laclede using the exact same method that was used by the Public Counsel (including the recommended offsets) and agreed upon by the parties to calculate the cost of compliance with the Emergency Amendment in the Rate Case. The Non-Proprietary and Highly Confidential versions of Laclede's compliance cost determination filing made on October 31, 2007 and recorded as Item 12 on the docket sheet in this case are incorporated into this schedule for all purposes as if fully set forth herein.

16. Following the filing of Laclede's request for determination, the Staff, Company and Public Counsel met on a number of occasions in an effort to resolve their differences over a proper quantification of the compliance costs associated with the CWR Permanent Amendment. As a result of those discussions, the Staff and Company filed a Non-Unanimous Stipulation and Agreement on February 28, 2008. Paragraph 7(a) of

the Non-Unanimous Stipulation and Agreement recommends that Laclede be authorized to recover in its next general rate case proceeding compliance costs associated with the Permanent Amendment in the amount of \$2,494,311. It also recommends that additional interest at Laclede's annual short-term borrowing rate be permitted to accumulate beginning September 30, 2007. A copy of the Non-Unanimous Stipulation and Agreement is set forth in Exhibit 9, attached hereto.

17. Except for one downward adjustment to reflect updated information that was proposed by Staff, the \$2,494,311 compliance cost amount set forth in the Non-Unanimous Stipulation and Agreement was derived in the exact same way as the compliance cost amount that Public Counsel witness Robertson proposed and the parties agreed upon in Laclede's 2007 Rate Case. Specifically, like the compliance cost amount calculated by Public Counsel in the 2007 Rate Case, the \$2,494,311 being recommended by Staff and Laclede:

(a) includes an amount (\$930,221) reflecting the additional unpaid arrearages incurred by customers after taking advantage of the new rule provisions; as reduced by: (1) Public Counsel's recommended offset to reflect arrearage reductions resulting from customer payments made subsequent to the time of reconnection, and (2) an offset to reflect uncollectible expense amounts that may have already been reflected in existing rates (\$1,461,623);

(b) includes an amount (\$1,529,432) reflecting the difference between the smaller upfront arrearage payment required under the CWR Emergency Amendment (i.e. the lesser of 50% or \$500 of existing arrearages) and the payment that could have collected under the prior rule (i.e. 80% of existing arrearages);

(c) includes \$34,658 of accumulated interest (from June 30, 2007 to September 30, 2007); and

(d) excludes any allowance for administrative costs.

18. The \$2,494,311 in compliance costs being recommended in the Non-Uniform Stipulation and Agreement represents about half of the difference between the approximately \$7.4 million in uncollectible write-offs that Staff determined, in its initial calculation of revenue requirement, should be included in Laclede's base rates (in Staff's 2005 Rate Case filing) and the approximately \$11.4 million actual level of uncollectible write-offs incurred by Laclede during the fiscal year containing the winter of 2006-2007

19. In total, 8,440 of Laclede's customers took advantage of the lower payment requirements available under the CWR Permanent Amendment during the winter of 2006/2007.

WHEREFORE, Laclede and the Staff respectfully request that the Commission receive this Non-Uniform Stipulation of Facts and all attached exhibits into evidence in this case.

Respectfully requested,

/s/ Jennifer Heintz

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Stipulation of Facts was duly served on all parties of record on this 24th day of March, 2008, by hand-delivery, facsimile, electronic mail, or by placing a copy of such Request, postage prepaid, in the United States mail.

Gerry Lynch

Gerry Lynch

EXHIBIT 1


**FINAL ORDER OF RULEMAKING
CASE NO. GX-2006-0434**

MEMORANDUM

TO: Colleen M. Dale, Secretary
DATE: August 11, 2006
RE: Authorization to File Final Order of Rulemaking with the Office of Secretary of State
CASE NO: GX-2006-0434

The undersigned Commissioners hereby authorize the Secretary of the Missouri Public Service Commission to file the following Final Order of Rulemaking with the Office of the Secretary of State, to wit:


Amendment to 4 CSR 240-13.055 – Cold Weather Maintenance of Service: Provision of Residential Heat-Related Utility Service During Cold Weather




Jeff Davis, Chairman



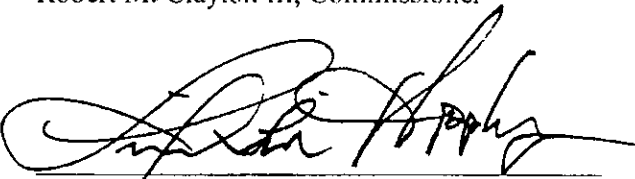
Connie Murray, Commissioner



Steve Gaw, Commissioner



Robert M. Clayton III, Commissioner



Linward "Lin" Appling, Commissioner

**Title 4 – DEPARTMENT OF ECONOMIC DEVELOPMENT
Division 240 – Public Service commission
Chapter 13 – Service and Billing Practices for Residential
Customers of Electric, Gas and Water Utilities**

ORDER OF RULEMAKING

By the authority vested in the Public Service Commission under sections 386.250(6), RSMo 2000, the commission amends a rule as follows:

4 CSR 240-13.055 is amended.

A notice of proposed rulemaking containing the text of the proposed rule was published in the *Missouri Register* on June 15, 2006 (31 MoReg 902). Those sections with changes are reprinted here. This proposed rule becomes effective thirty (30) days after publication in the *Code of State Regulations*.

SUMMARY OF COMMENTS: A public hearing on this proposed rule was held July 19, 2006, and the public comment period ended July 27, 2006, the record having been held open for additional information discussed at the public hearing. Five sets of written comments were received and an additional person commented at the hearing. Written comments were received from AARP; Laclede Gas Company, Missouri Gas Energy, and Atmos Energy Corporation, who collectively filed as the "Missouri Utilities"; the Office of the Public Counsel; Mid America Assistance Coalition (MAAC); and Jackie Hutchinson on behalf of the Human Development Corporation and other social welfare groups. Each of those persons or groups commented at the hearing, in addition to which three witnesses testified on behalf of the Staff of the Missouri Public Service Commission. The commenters suggested changes to sections (14)(A), (14)(F) and (14)(G).

COMMENT: All commenters suggested that the dates of applicability of the amendment be changed from December 1 to November 1 to make the amendment consistent with the other sections of the Cold Weather Rule.

RESPONSE AND EXPLANATION OF CHANGE: The commission finds that the rule shall be changed so that it applies on November 1 of each year, consistent with the other sections of the Cold Weather Rule, as more fully set out below.

COMMENT: The Public Counsel seeks to limit the 50% arrearage repayment requirement for reinstatement of service to 50% or \$250, whichever is less. This limit is supported by other commenters, including generally by MAAC, although it points out that lowering the arrearage repayment for restoration allows households to acquire a debt burden from which there is no hope of repaying; MAAC supports a limit at \$500 or 50%; Ms. Hutchinson would go as low as 25% with a \$250 limit, although only for families at or below 185% of the federal poverty guideline. The Missouri Utilities oppose a dollar limit on arrearage repayment.

RESPONSE AND EXPLANATION OF CHANGE: The commission finds that the rule shall be changed so that it limits the amount a customer must pay to be reconnected to \$500 or 50%, whichever is less, as more fully set out below.

COMMENT: The commenters differed over the following language in (14)(A): "However, a gas utility shall not be required to offer reconnection or retention of service under this subsection (14)(A) more than once for any customer." The utility commenters initially sought clarification that the obligations under (14) applied only once in a customer's lifetime, but later revised its position that the obligations should be applied once every five years. Other commenters asserted that every two or three years would be sufficient, while other commenters asserted that the obligation should apply once every year.

RESPONSE AND EXPLANATION OF CHANGE: The commission finds that the rule shall be changed so that it clarifies that the protections of section (14) shall be available to customers once every two years, but that a customer who has failed to adhere to payment plans under the rule three times is not eligible for another such payment plan, as more fully set out below.

COMMENT: The commenters differed over how long the payment plans should last. Certain commenters believed it was appropriate for the payment plans to be extended for two or three years, as customers in unusual circumstances sections, such as those with large medical bills, might need a longer period to pay all arrearages. In addition, there were comments that LIHEAP-eligible customers should be given longer repayment periods. Other commenters believe that payment plans longer than twelve months cause customers in financial difficulty to become further indebted to the extent that they may never be able to eliminate their arrearages.

RESPONSE AND EXPLANATION OF CHANGE: The commission finds that both sides of the argument have merit, and that the rule shall be clarified that payment plans are to be for twelve months unless the customer seeks a shorter period or the utility agrees to a longer period for customers in unusual circumstances, as more fully set out below.

COMMENT: The Missouri Utilities sought the inclusion of the following language at the end of (14)(A): "For purposes of this paragraph any offer made by the gas utility as a result of the emergency amendment adopted by the commission effective January 1, 2006 or by the gas utility at any time subsequent to the effective date of this amendment shall be deemed to satisfy its obligations under this subsection (14)(A)."

RESPONSE: The inclusion of this language was not discussed at the hearing, nor was the need for such language addressed in Missouri Utilities' written comments. The Emergency Rule was substantively identical to the proposed rule; the commission does not believe the inclusion of this language is warranted. Therefore, no change in the language of the rule will be made.

COMMENT: The Missouri Utilities sought the inclusion of the following language in its new subsection (F): "A gas utility shall be permitted to apply any income eligibility requirements approved by the Commission pursuant to section (13) of this rule to customers seeking to take advantage of the payment terms set forth in this section, provided that on and after the effective date of this amendment the minimum [sic] household income percentage for determining eligibility shall be increased to 185% of the federal poverty level."

RESPONSE: The application of an income threshold for eligibility for the protections of this section were discussed at length in the hearing and in written comments. Other commenters noted that the potential harm of disconnection and the need for a repayment plan are not necessarily limited to those households that have income of less than 150% of the federal poverty guideline. Although Missouri Utilities have proposed a higher maximum household

income, the commission does not believe the inclusion of this language is warranted. Therefore, no change in the language of the rule will be made.

COMMENT: The MAAC supports inclusion in the rule of some sort of weatherization plan or incentives to assist low-income customers in reducing their energy usage and bills.

RESPONSE: While the commission believes that weatherization and usage-reduction incentives are a good idea, the commission has chosen to pursue those plans in other dockets, in other ways. Therefore, no change in the language of the rule will be made.

COMMENT: Both Ms. Hutchinson and MAAC request that some sort of arrearage forgiveness program would provide incentive for customers to make realistic payment plans and then adhere to them.

RESPONSE: While such an arrearage forgiveness program could provide such an incentive and reduce the overall uncollectibles facing Missouri Utilities, such a program is beyond the scope of this rule at this time. Therefore, no change in the language of the rule will be made. However, the commission encourages companies to work with the other commenters in this matter to determine whether an experimental program along these lines is feasible.

COMMENT: The most contentious issue among the commenters was the cost recovery mechanism. The Public Counsel opposes the inclusion of the accounting authority order ("AAO") while the Missouri Utilities do not believe that the AAO provides sufficient protection. The Missouri Utilities propose deletion of (14)(F), which sets out limits on the recovery of costs associated with the amendment to those costs actually caused by the amendment, and propose a new (14)(G) that would establish an "Uncollectibles Tracker" mechanism to recover costs. Staff and Public Counsel oppose the tracker mechanism due to their belief that, especially in light of the Missouri Utilities' removal of (14)(F) recovery limitations, the tracking mechanism would recover costs not associated with compliance with this amendment.

RESPONSE AND EXPLANATION OF CHANGE: The proposal by the Missouri Utilities is too broad. On its face, the proposal allows the recovery of costs not associated with compliance with this amendment. Although the Commission has lawfully used such mechanisms in the past, it does not appear to be an appropriate resolution of this matter. However, the Missouri Utilities do raise a valid point concerning the ability to recover all of the costs associated with compliance with this rule, because in a full rate case all of the costs of doing business as a utility are reviewed and certain costs could be disallowed in that overall review. Therefore the commission will adopt a more detailed AAO in which the amount to be recovered will be determined in a separate proceeding concerning only the costs of complying with this amendment, as more fully set out below in (14)(F) and (G).

PROPOSED AMENDMENT

4 CSR 240-13.055 Cold Weather Maintenance of Service: Provision of Heat-Related Utility Service During Cold Weather

(14) This section only applies to providers of natural gas services to residential customers. Other providers of heat-related utility services will continue to provide such service under the terms of

sections (1) through (13) of this rule. The provisions of sections (1) through (13) of this rule continue to apply to providers of natural gas service except where inconsistent with the terms of this section.

(A) From November 1 through March 31, notwithstanding paragraph (10)(C)2. of this rule to the contrary, a gas utility shall restore service upon initial payment of the lesser of fifty percent (50%) or \$500 of the preexisting arrears, with the deferred balance to be paid as provided in subsection (10)(B). Any reconnection fee, trip fee, collection fee or other fee related to reconnection, disconnection or collection shall also be deferred. Between November 1 and March 31, any customer threatened with disconnection may retain service by entering into a payment plan as described in this section. Any payment plan entered into under this section shall remain in effect (as long as its terms are adhered to) for the term of the payment plan, which shall be twelve months' duration, unless the customer requests a shorter period or the utility agrees to a longer period. However, a gas utility shall not be required to offer reconnection or retention of service under this subsection (14)(A) more than once every two years for any customer or to any customer who has defaulted on a payment plan under this section three or more times.

[No changes in (B) through (E)]

(F) A gas utility shall be permitted to recover the costs of complying with this section as follows:

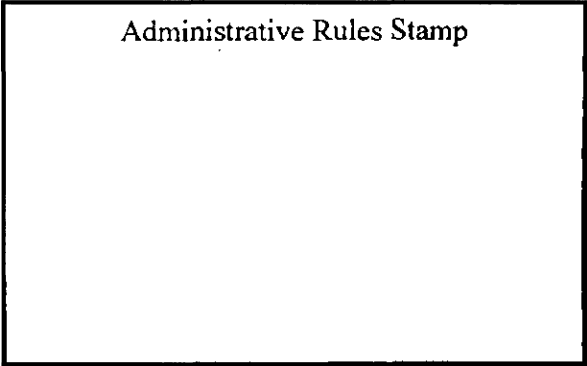
1. The cost of compliance with this section shall include any reasonable costs incurred to comply with the requirements of this section;
2. No gas utility shall be permitted to recover costs under this section that would have been incurred in the absence of this section, provided that the costs calculated in accordance with section (14)(F)1. shall be considered costs of complying with this section;
3. Any net cost resulting from this section as of June 30 each year shall accumulate interest at the utility's annual short-term borrowing rate until such times as it is recovered in rates; and
4. No bad debts accrued prior to the effective date of this section may be included in the costs to be recovered under this section, provided that a gas utility may continue to calculate and defer for recovery through a separate Accounting Authority Order the costs of complying with the Commission's January 1, 2006 emergency amendment to this rule upon the same terms as set forth herein. The costs eligible for recovery shall be the unpaid charges for new service received by the customer subsequent to the time the customer is retained or reconnected by virtue of this section plus the unpaid portion of the difference between the initial payment paid under this section and the initial payment that could have been required from the customer under the previously enacted payment provisions of section (10) of this rule, as measured at the time of a subsequent disconnection for non-payment or expiration of the customer's payment plan.

(G) A gas utility shall be permitted to defer and recover the costs of complying with this rule through a one-term Accounting Authority Order until such time as the compliance

costs are included in rates as part of the next general rate proceeding or for a period of two years following the effective date of this amendment:

1. The commission shall grant an Accounting Authority Order, as defined below, upon application of a gas utility, and the gas utility may book to Account 186 for review, audit and recovery all incremental expenses incurred and incremental revenues that are caused by this section. Any such Accounting Authority Order shall be effective until September 30, of each year for the preceding winter;
2. Between September 30 and October 31 each year, if a utility intends to seek recovery of any of the cost of compliance with this section, the utility shall file a request for determination of the cost of compliance with this section for the preceding winter season. The request by the utility shall include all supporting information. All parties to this filing will have no longer than 120 days from the date of such a filing to submit to the Commission their position regarding the company's request with all supporting evidence. The Commission shall hold a proceeding where the utility shall present all of its evidence concerning the cost of compliance and other parties, including Commission Staff, shall present any evidence that the costs asserted by the utility should be disallowed in whole or part. Such a proceeding may be waived by the unanimous request of the parties or by a non-unanimous request without objection. The Commission shall establish the amount of costs it determines have been reasonably incurred in complying with this section within 180 days of the utility's request and such amount will be carried forward into the utility's next rate case without reduction or alteration. Such costs shall be amortized in rates over a period of no greater than five years and shall be recovered in a manner that does not impair the utility's ability to recover other costs of providing utility service. If the Commission fails to establish the amount of costs within 180 days, then the amount requested by the utility shall be deemed reasonably incurred.
3. The commission has adopted the Uniform System of Accounts in 4 CSR 240-4.040. Accounting Authority Orders are commission orders that allow a utility to defer certain expenses to Account 186 under the Uniform System of Accounts for later recovery as determined by the commission in a subsequent general rate case; and
4. Although the Accounting Authority Order allows the gas utility to recover the reasonably incurred expenses only within the context of a general rate case, all such reasonably incurred expenses shall be recovered by the gas utility, together with interest thereon, as set forth above.

Robin Carnahan
Secretary of State
Administrative Rules Division
RULE TRANSMITTAL



A "SEPARATE" rule transmittal sheet **MUST** be used for EACH individual rulemaking.

A. Rule Number 4 CSR 240-13.044
Diskette File Name Cold Weather Rule
Name of person to call with questions about this rule:
Content Cully Dale Phone 751-4255 FAX 526-6010
E-mail address cully.dale@psc.mo.gov
Data entry same Phone _____ FAX _____
E-mail address _____
Interagency mailing address Public Service Commission, 9th Floor, GOB
Statutory Authority 386.250(6) Current RSMo date 2000
Date filed with the Joint Committee on Administrative Rules August 11, 2006

B. CHECKLIST guide for rule packets:

<input checked="" type="checkbox"/> This transmittal completed	<input type="checkbox"/> Forms, number of pages _____
<input type="checkbox"/> Cover letter	<input type="checkbox"/> Authority section with history of the rule
<input type="checkbox"/> Affidavit	<input type="checkbox"/> Public cost statement
<input type="checkbox"/> Small business impact statement	<input type="checkbox"/> Private cost statement
<input type="checkbox"/> Fiscal notes	<input type="checkbox"/> Hearing date

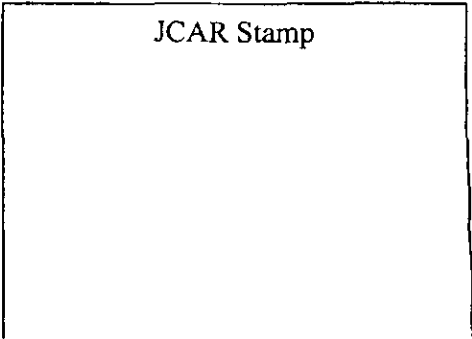
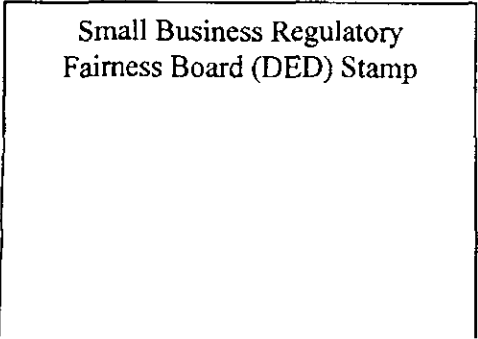
C. RULEMAKING ACTION TO BE TAKEN

Emergency rulemaking (choose one) rule, amendment, rescission, or termination
MUST include effective date _____

Proposed Rulemaking (choose one) rule, amendment, or rescission
 Order of Rulemaking (choose one) rule, amendment, rescission, or termination
MUST complete page 2 of this transmittal

Withdrawal (choose one) rule, amendment, rescission or emergency)
 Rule action notice In addition Rule under consideration

D. SPECIFIC INSTRUCTIONS: Any additional information you may wish to provide to our staff _____



RULE TRANSMITTAL (PAGE 2)

E. ORDER OF RULEMAKING: Rule Number 4 CSR 240-13.044

1a. Effective Date for the Order

Statutory 30 days

Specific date _____

1b. Does the Order of Rulemaking contain changes to the rule text?

YES NO

1c. If the answer is YES, please complete section F.

If the answer is NO, **STOP** here.

F. Please provide a complete list of the changes in the rule text for the order of rulemaking, indicating the specific section, subsection, paragraph, subparagraph, part, etc., where each change is found. It is especially important to identify the parts of the rule that are being deleted in this order of rulemaking. Give an explanation of each section, subsection, etc. which has been changed since the proposed rulemaking was published in the Register.

Changes are found in (14)(A) insertions in seven places throughout the subsection; (14)(F) one deletion in paragraph 1, addition in one place in paragraph 2, addition in one place in paragraph 3 and addition in one place in paragraph 4; and (14)(G) addition in one place in the introductory paragraph, addition of new paragraph 2, renumbering remaining paragraphs and deletion of the last sentence in newly-numbered paragraph 4.

NOTE: ALL changes MUST be specified here in order for those changes to be made in the rule as published in the *Missouri Register* and the *Code of State Regulations*.
Add additional sheet(s), if more space is needed.



Commissioners
JEFF DAVIS
Chairman
CONNIE MURRAY
STEVE GAW
ROBERT M. CLAYTON III
LINWARD "LIN" APPLING

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.mo.gov>

WESS A. HENDERSON
Executive Director
DANA K. JOYCE
Director, Administration
ROBERT SCHALLENBERG
Director, Utility Services
WARREN WOOD
Director, Utility Operations
COLLEEN M. DALE
Secretary/Chief Regulatory Law Judge
KEVIN A. THOMPSON
General Counsel

August 11, 2006

Honorable Robin Carnahan
Secretary of State
Administrative Rules Division
600 West Main Street
Jefferson City, Missouri 65101

Dear Secretary Carnahan:

Re: 4 CSR 240-13.055, Service and Billing Practices for Residential Customers of Electric,
Gas and Water Utilities

CERTIFICATION OF ADMINISTRATIVE RULE

I do hereby certify that the attached is an accurate and complete copy of the order of rulemaking lawfully submitted by the Missouri Public Service Commission for filing on this 11th day of August, 2006.

Statutory Authority: Sections 386.250(6) RSMo 2000

If there are any questions regarding the content of this order of rulemaking, please contact:

Colleen M. Dale, Secretary
Missouri Public Service Commission
200 Madison Street, P.O. Box 360
Jefferson City, MO 65102
(573) 751-4255
cully.dale@psc.mo.gov

BY THE COMMISSION

Colleen M. Dale
Secretary
Missouri Public Service Commission

EXHIBIT 2

**Public Counsel's Application for Rehearing
of the Commission's Order of Rulemaking
Case No. GX-2006-0434**

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

In the Matter of Proposed Amendments to)
Commission Rule 4 CSR 240-13.055.)

Case No. GX-2006-0434

**PUBLIC COUNSEL'S
APPLICATION FOR REHEARING**

COMES NOW the Office of the Public Counsel ("Public Counsel") and for its Application for Rehearing states:

1. On August 11, 2006 the Commission adopted a Final Order of Rulemaking amending the Cold Weather Rule ("CWR"), 4 CSR 240-13.055. Public Counsel supports the changes to the CWR that help consumers restore and retain their gas service during the cold winter months. However, Public Counsel believes the amendment also allows a utility company to recover more than the costs of the compliance with the rule. Allowing excessive cost recovery is harmful to ratepayers, and for this reason, Public Counsel requests a rehearing.

2. Public Counsel opposes to the Accounting Authority Order ("AAO") cost recovery mechanism in Subsections (14)(F) and (14)(G) because an AAO is designed to recover extraordinary expenses,¹ not expenses incurred by a permanent rule that offers disconnection and reconnection protections for consumers. No additional cost recovery mechanism is necessary, just as no cost recovery mechanism is necessary in the current version of the CWR that restricts the company's practices during the winter heating season. The proposed amendment simply adds to these existing protections that do not require an AAO, and will become the usual and recurring

¹ *State of Missouri, ex rel., Missouri Office of the Public Counsel v. P.S.C., et al.*, 858 S.W.2d 806 (Mo. App. W.D. 1993).

requirements under which all gas utility companies must continue to operate. The process for a utility recovering its expenses should be the same as any other rule requiring certain conduct of a utility to protect the public. The expenses associated with compliance with the rule will be the utility company's normal cost of doing business, and should be recovered through the usual rate making process.

3. In calculating the "costs" of compliance with the amendment, the amendment does not consider benefits that may be realized by compliance with the amendment. If a customer takes advantage of the rule by reconnecting, stays on the system and continues to make payments, there would be an additional increase in sales and therefore revenues, and a decrease to the company's bad debt expense. The sole purpose of the rule amendment is to help consumers stay on the system through the winter and throughout the terms of their payment plans for any arrearages. Without the rule, a customer may remain off the system and less likely to pay the company for any existing arrearages. If the rule performs as *intended* by the Commission, there will be no costs. The rule amendment does not consider these benefits in the cost calculation, and violates the "all relevant factors" requirement as upheld by the Missouri Supreme Court in *State ex rel. Utility Consumers Council of Missouri v. PSC*, 585 S.W.2d 41 (Mo. banc 1979). The Commission must consider all relevant factors to ensure that the ultimate decision of the Commission is just and reasonable.

4. As an example of how a gas company could recover in excess of the costs of compliance is as follows, assume a customer has been previously disconnected with \$500 in arrearages. Under the rule amendment the customer reconnects with a \$250 payment, rather than the \$400 payment that would have been required under Section (10). Through a payment agreement, the customer pays off \$200 in arrearages but becomes delinquent and is disconnected

still owing \$50 to the company. Under the rule amendment, the utility would be permitted to claim as costs of compliance any additional arrearages from the date of reconnection, plus the difference between \$400 (80% of \$500) and \$250 (50% of \$500). Under this example the company would recover \$450 from the consumer, \$150 as a cost of compliance, and \$50 recovered through the utility company's bad debt expense. The result will allow the company to recover \$650 for a \$500 gas bill.

5. Subsection (14)(G)3. is unreasonable in that it will require consumers to bear the risk of Commission inaction by deeming the amount requested to be "reasonably incurred" if the Commission does not act within 180 days. This addition was not included in the published rulemaking proposal, and would place an unnecessary burden on consumers. The utility should bear the burden of proving the associated costs, and Commission inaction should indicate that the gas utility has failed to meet its burden rather than an assumption that the costs are accurate. This addition to the published rulemaking was not supported by comments by any party in the rulemaking comment process.

6. Subsection (14)(G)3 together with Subsection (14)(F)3 would allow a utility to accumulate interest on net costs indefinitely. This could create significant opportunities to game the financial statements for both public and regulatory purposes. As example, a utility would not file a rate case during a period of earnings in excess of a reasonable return on equity while at the same time be allowed to defer costs under Subsection (14)(G)3 of this rule for subsequent collection from future ratepayers.

7. For these reasons, the Final Order of Rulemaking is unlawful and unreasonable, and rehearing should be granted. Section 386.500 RSMo 2000 authorizes the Public Counsel to apply for a rehearing with respect to any order or decision of the Commission.

WHEREFORE, the Office of the Public Counsel request that the Commission grant this Application for Rehearing and enter a new order consistent with this Application.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Marc D. Poston
Marc D. Poston (#45722)
Senior Public Counsel
P. O. Box 2230
Jefferson City MO 65102
(573) 751-5558
(573) 751-5562 FAX
marc.poston@ded.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 21st day of August 2006:

General Counsel
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102
GenCounsel@psc.mo.gov

/s/ Marc Poston

EXHIBIT 3

**Order Denying Motions for Rehearing
Case No. GX-2006-0434**

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 29th day of
August, 2006.

In the Matter of Proposed Amendments to) **Case No. GX-2006-0434**
Commission Rule 4 CSR 240-13.055)

ORDER DENYING MOTIONS FOR REHEARING

Issue Date: August 29, 2006

Effective Date: August 29, 2006

On August 11, 2006, the Commission adopted a Final Order of Rulemaking that amends Commission Rule 4 CSR 240-13.055.

On August 18, 2006, Missouri Gas Energy (MGE) filed an Application for Rehearing. On August 21, 2006, AARP and the Office of the Public Counsel (OPC) filed separate Applications for Rehearing.

Section 386.500.1, RSMo (2000), provides that the Commission shall grant an application for rehearing if "in its judgment sufficient reason therefor be made to appear." The Commission finds that MGE, AARP and OPC have failed to establish sufficient reason to grant their applications. The Commission will deny the applications.

IT IS ORDERED THAT:

1. Missouri Gas Energy's Application for Rehearing is denied.
2. AARP's Application for Rehearing is denied.
3. The Office of Public Counsel's Application for Rehearing is denied.

4. This order shall become effective August 29, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(SEAL)

Davis, Chm., Murray, Clayton and Appling, CC., concur;
Gaw, C., concurs with opinion to follow.

Dale, Chief Regulatory Law Judge

EXHIBIT 4

**SEPTEMBER 29, 2006
LACLEDE TARIFF FILING
TARIFF SHEETS R-36-B, C AND D**

LACLEDE GAS COMPANY
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101
(314) 342-0601

KENNETH J. NEISES
EXECUTIVE VICE PRESIDENT
Energy & Administrative Services

September 29, 2006

VIA EFIS

Secretary of the Commission
Missouri Public Service Commission
Governor Office Building
200 Madison Street
Jefferson City, MO 65101

RE: Case No. GX-2006-0434

Dear Secretary:

Enclosed herewith for filing with the Missouri Public Service Commission ("Commission") are the following revised tariff sheets which are applicable to both divisions of Laclede Gas Company ("Company"), excluding the service territory formerly served by Fidelity Natural Gas, Inc.:

P.S.C. MO. No. 5 Consolidated, First Revised Sheet No. R-36-b
P.S.C. MO. No. 5 Consolidated, Original Sheet No. R-36-c
P.S.C. MO. No. 5 Consolidated, Original Sheet No. R-36-d

These tariff sheets, which have an issue date of September 29, 2006 and an effective date of October 30, 2006, are being filed in compliance with the Commission's August 11, 2006 *Final Order Of Rulemaking* in which the Commission authorized certain amendments to the Cold Weather Maintenance of Service Rule, 4 CSR 240-13.055.

Sincerely,



Kenneth J. Neises

Enclosures

cc: Office of the Public Counsel

P.S.C. MO. No. 5 Consolidated, First Revised Sheet No. R-36-b
CANCELLING P.S.C. MO. No. 5 Consolidated, Original Sheet No. R-36-b

Laclede Gas Company For Refer to Sheet No. R-1
Name of Issuing Corporation or Municipality Community, Town or City

RULES AND REGULATIONS

27. Cold Weather Maintenance of Service (Continued):

2. Subject to the provisions of Section 14 (A) below, for a customer who has defaulted on a payment plan under the cold weather rule, the initial payment shall be an amount equal to eighty percent (80%) of the customer's balance, unless the Company and customer agree to a different amount, provided that customers who have repeatedly defaulted on payment plan agreements, with at least one of those defaults occurring after the effective date of this tariff, may be required to pay the total of all delinquent installments.

(11) If the Company refuses to provide service pursuant to this rule and the reason for refusal of service involves unauthorized interference, diversion or use of the Company's service situated or delivered on or about the customer's premises, the Company shall maintain records concerning the refusal of service which, at a minimum, shall include: the name and address of the person denied reconnection, the names of all Company personnel involved in any part of the determination that refusal of service was appropriate, the facts surrounding the reason for the refusal and any other relevant information.

(12) The commission shall recognize and permit recovery of reasonable operating expenses incurred by the Company because of this rule.

(13) The Company may apply for a variance from this rule by filing an application for variance with the commission pursuant to the commission's rules of procedure.

DATE OF ISSUE September 29, 2006 DATE EFFECTIVE October 30, 2006
Month Day Year Month Day Year
ISSUED BY K. J. Neises, Executive Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer Title Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. R-36-c
CANCELLING All Previous Schedules

Laclede Gas Company
Name of Issuing Corporation or Municipality

For Refer to Sheet No. R-1
Community, Town or City

RULES AND REGULATIONS

27. Cold Weather Maintenance of Service (Continued):

(14) The provisions of sections (1) through (13) of this rule continue to apply except where inconsistent with the terms of this section.

(A) From November 1 through March 31, notwithstanding paragraph (10)(C) 2. of this rule to the contrary, the Company shall restore service upon initial payment of the lesser of fifty percent (50%) or \$500 of the preexisting arrears, with the deferred balance to be paid as provided in subsection (10) (B). Any reconnection fee, trip fee, collection fee or other fee related to reconnection, disconnection or collection shall also be deferred. Between November 1 and March 31, any customer threatened with disconnection may retain service by entering into a payment plan as described in this section. Any payment plan entered into under this section shall remain in effect (as long as its terms are adhered to) for the term of the payment plan, which shall be twelve months in duration, unless the customer requests a shorter period or the Company agrees to a longer period. However, the Company shall not be required to offer reconnection or retention of service under this subsection (14)(A) more than once every two years for any customer or to any customer who has defaulted on a payment plan under this section three or more times.

(B) Any customer who is not disconnected or in receipt of a disconnect notice shall, at the customer's request, be permitted to enroll immediately in the Company's Budget Billing Plan. Any current bill or existing arrearage at the time of enrollment shall be dealt with consistent with Section 10(B)(1) through 10(B)(4) of this rule, provided that the customer agrees to make the initial payment prescribed in Section 10(C)(1) or Section 14(A) as applicable.

(C) If a customer enters into a cold weather rule payment plan under this section :
a. Late payment charges shall not be assessed except with respect to failure to make timely payments under the payment plan; and
b. The Company shall not charge customers interest on the account balance for any deferral period.

DATE OF ISSUE September 29, 2006
Month Day Year

DATE EFFECTIVE October 30, 2006
Month Day Year

ISSUED BY K.J. Neises, Executive Vice President
Name of Officer Title

720 Olive St., St. Louis, MO 63101
Address

P.S.C. MO. No. 5 Consolidated, Original Sheet No. R-36-d
CANCELLING All Previous Schedules

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. R-1

Community, Town or City

RULES AND REGULATIONS

27. Cold Weather Maintenance of Service (Continued):

- (D) Any customer who enters into a cold weather rule payment agreement under this section and fully complies with the terms of the payment plan shall be treated, going forward, as not having defaulted on any cold weather rule payment agreement.
- (E) The Company shall describe the provisions of Section 14 in any notices or contacts with customers. In telephone contacts with customers expressing difficulty paying their gas bills, the Company shall inform those customers of their options under Section 14.
- (F-G) The Company shall be permitted to recover the costs of complying with this section pursuant to the terms now and hereinafter set forth in subsections (14) (F) and (14) (G) of the Commission's Cold Weather Maintenance of Service Rule, 4 CSR 240-13.055.
- (15) Beginning April 1, 2005 and except as otherwise provided in Section 14 above, the Company may limit the availability of payment agreements under this rule to low-income customers as defined in this rule, provided that any customer who is on an existing payment agreement may continue to make payments in accordance with that agreement until the end of its term, and provided further that the Company may continue to offer alternative payment arrangements to customers who do not qualify for agreements under this rule.

DATE OF ISSUE

September 29, 2006

Month Day Year

DATE EFFECTIVE

October 30, 2006

Month Day Year

ISSUED BY

K.J. Neises, Executive Vice President

Name of Officer

Title

720 Olive St.,

St. Louis, MO 63101

Address

EXHIBIT 5

**LACLEDE'S APPLICATIONS FOR
ACCOUNTING AUTHORITY ORDERS
GU-2007-0137 AND GU-2007-0138**

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

In the Matter of the Application of Laclede)
Gas Company for an Accounting Authority Order)
Authorizing the Company to Defer for Future Recovery) Case No. GA-2007-____
the Costs of Complying With the Emergency)
Amendment to the Commission's Cold Weather Rule)

**VERIFIED APPLICATION FOR
ACCOUNTING AUTHORITY ORDER**

COMES NOW Laclede Gas Company ("Laclede" or "Company") and, pursuant to 4 CSR 240-2.060 and 2.080 and the Commission's Rules of Practice and Procedure and §393.140 RSMo. 2000, files its Verified Application for an Accounting Authority Order ("AAO"), and in support thereof states as follows:

1. Laclede is a public utility incorporated under the laws of the State of Missouri, with its principal office located at 720 Olive Street, St. Louis, Missouri 63101. A Certificate of Good Standing evidencing Laclede's standing to do business in Missouri was submitted in Case No. GF-2000-843 and is hereby incorporated by reference herein for all purposes. Laclede is engaged in the business of distributing and transporting natural gas to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Jefferson, Franklin, Iron, Ste. Genevieve, St. Francois, Madison, Butler and Crawford in Eastern Missouri, as a gas corporation subject to the jurisdiction of the Missouri Public Service Commission (the "Commission").

2. Communications in regard to this Application should be addressed to:

Michael C. Pendergast
Vice President & Associate General Counsel
Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
(314) 342-0532
mpendergast@lacledegas.com

3. Except for any matter that may be before this Commission, Laclede has no pending actions or final unsatisfied judgements or decisions against it from any state or federal agency or court which involve customer service or rates.

4. Laclede is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

5. On December 13, 2005, the Commission issued its Order Approving Emergency Amendment (the "Emergency Amendment"), in which it amended, effective January 1, 2006, Commission Rule 4 CSR 240-13.055, entitled "Cold Weather Maintenance of Service," and known as the "Cold Weather Rule ("CWR").

6. On August 11, 2006, the Commission issued its Order of Rulemaking in Case No. GX-2006-0434, in which it adopted on a permanent basis a number of the provisions that had been placed into effect as part of the Emergency Amendment (such provisions being hereinafter referred to as the "Permanent Amendment"). In addition to permitting customers to reconnect or maintain service by paying the lesser of 50% or \$500 of preexisting arrears, the Permanent Amendment also set forth terms explaining how gas utilities should calculate and recover the costs of complying with the Permanent Amendment. *See* 4 CSR 240-13.055(14)(F). The Permanent Amendment also specifies that gas utilities may continue to calculate and defer costs under the Emergency Amendment upon the same terms as those set forth in the Permanent Amendment. 4 CSR 240-13.055(14)(F)4.

7. Consistent with the Commission's Order of Rulemaking, Laclede requests that it be granted accounting authorization to calculate and defer for recovery the costs of complying with the Emergency Amendment upon the same terms as those set forth in the Permanent Amendment to the Cold Weather Rule adopted by the Commission on August 11, 2006 in Case No. GX-

2006-0434. Pursuant to the terms of the Permanent Amendment, Laclede has also filed on this date a separate Application for an Accounting Authority Order to defer and recover the cost of complying with the Permanent Amendment, as well as tariff sheets setting forth those terms.

WHEREFORE, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission issue an Accounting Authority Order authorizing Laclede Gas Company to defer and book as a regulatory asset for future recovery the costs of complying with the Emergency Amendment on the terms set forth in the Permanent Amendment to the Cold Weather Rule adopted by the Commission on August 11, 2006.

Respectfully requested,

/s/ Michael C. Pendergast

Michael C. Pendergast #31763

Vice President and Associate General Counsel

Rick Zucker #49211

Assistant General Counsel

Laclede Gas Company

720 Olive Street, Room 1520

St. Louis, MO 63101

(314) 342-0532 Phone

(314) 421-1979 Fax

mpendergast@lacledegas.com

rzucker@lacledegas.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Application has been duly served on the General Counsel of the Staff of the Missouri Public Service Commission and on the Office of the Public Counsel on this 29th day of September, 2006 by hand-delivery, facsimile, electronic mail, or by placing a copy of such Application, postage prepaid, in the United States mail.

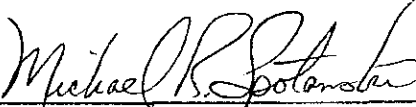
/s/ Rick Zucker

Rick Zucker

VERIFICATION

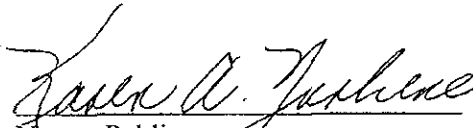
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

I, Michael R. Spotanski, Vice President-Finance for Laclede Gas Company, being first duly sworn, verify that I am familiar with the foregoing Verified Application filed on behalf of Laclede; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.



Michael R. Spotanski

Subscribed and sworn to before me this 29th day of September, 2006.



Notary Public

My Commission expires: 2-18-2008

**KAREN A. ZURLIENE
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI, CITY OF ST. LOUIS
MY COMMISSION EXPIRES FEBRUARY 18, 2008**

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

In the Matter of the Application of Laclede)	
Gas Company for an Accounting Authority Order)	
Authorizing the Company to Defer for Future Recovery)	Case No. GA-2007-_____
the Costs of Complying With the Permanent)	
Amendment to the Commission's Cold Weather Rule)	

**VERIFIED APPLICATION FOR
ACCOUNTING AUTHORITY ORDER**

COMES NOW Laclede Gas Company ("Laclede" or "Company") and, pursuant to 4 CSR 240-2.060 and 2.080 and the Commission's Rules of Practice and Procedure and §393.140 RSMo. 2000, files its Verified Application for an Accounting Authority Order ("AAO"), and in support thereof states as follows:

1. Laclede is a public utility incorporated under the laws of the State of Missouri, with its principal office located at 720 Olive Street, St. Louis, Missouri 63101. A Certificate of Good Standing evidencing Laclede's standing to do business in Missouri was submitted in Case No. GF-2000-843 and is hereby incorporated by reference herein for all purposes. Laclede is engaged in the business of distributing and transporting natural gas to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Jefferson, Franklin, Iron, Ste. Genevieve, St. Francois, Madison, Butler and Crawford in Eastern Missouri, as a gas corporation subject to the jurisdiction of the Missouri Public Service Commission (the "Commission").

2. Communications in regard to this Application should be addressed to:

Michael C. Pendergast
Vice President & Associate General Counsel
Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
(314) 342-0532
mpendergast@lacledegas.com

3. Except for any matters that may be before this Commission, Laclede has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates.

4. Laclede is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

5. On December 13, 2005, the Commission issued its Order Approving Emergency Amendment (the "Emergency Amendment"), in which it amended, effective January 1, 2006, Commission Rule 4 CSR 240-13.055, entitled "Cold Weather Maintenance of Service," and known as the "Cold Weather Rule ("CWR").

6. On August 11, 2006, the Commission issued its Order of Rulemaking in Case No. GX-2006-0434, in which it adopted on a permanent basis a number of the provisions that had been placed into effect as part of the Emergency Amendment (such provisions being hereinafter referred to as the "Permanent Amendment"). In addition to permitting customers to reconnect or maintain service by paying the lesser of 50% or \$500 of preexisting arrears, the Permanent Amendment also set forth terms explaining how gas utilities should calculate and recover the costs of complying with the Permanent Amendment. *See* 4 CSR 240-13.055(14)(F). The Permanent Amendment also specifies that gas utilities may continue to calculate and defer costs under the Emergency Amendment upon the same terms as those set forth in the Permanent Amendment. 4 CSR 240-13.055(14)(F)4.

7. Consistent with the Commission's Order of Rulemaking, Laclede requests that it be granted accounting authorization to calculate and defer for recovery the costs of complying with the Permanent Amendment adopted by the Commission on August 11, 2006 in Case No. GX-2006-0434 upon the terms set forth in that Permanent Amendment. Pursuant to the terms of the

Permanent Amendment, Laclede has also filed on this date a separate Application for an Accounting Authority Order to defer and recover the cost of complying with the Emergency Amendment, as well as tariff sheets setting forth the terms of the Permanent Amendment.

WHEREFORE, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission issue an Accounting Authority Order authorizing Laclede Gas Company to defer and book as a regulatory asset for future recovery the costs of complying with the Permanent Amendment to the Cold Weather Rule adopted by the Commission on August 11, 2006 upon the terms set forth in the Permanent Amendment.

Respectfully requested,

/s/ Michael C. Pendergast

Michael C. Pendergast #31763
Vice President and Associate General Counsel
Rick Zucker #49211
Assistant General Counsel

Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
(314) 342-0532 Phone
(314) 421-1979 Fax
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rzucker@lacledegas.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Application has been duly served on the General Counsel of the Staff of the Missouri Public Service Commission and on the Office of the Public Counsel on this 29th day of September, 2006 by hand-delivery, facsimile, electronic mail, or by placing a copy of such Application, postage prepaid, in the United States mail.


/s/ Rick Zucker

Rick Zucker

VERIFICATION

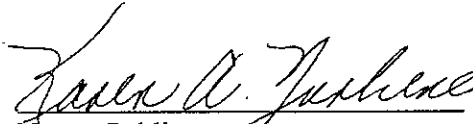
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

I, Michael R. Spotanski, Vice President-Finance for Laclede Gas Company, being first duly sworn, verify that I am familiar with the foregoing Verified Application filed on behalf of Laclede; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.



Michael R. Spotanski

Subscribed and sworn to before me this 29th day of September, 2006.



Notary Public

My Commission expires: 2-18-2008

**KAREN A. ZURLIENE
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI, CITY OF ST. LOUIS
MY COMMISSION EXPIRES FEBRUARY 18, 2008**

EXHIBIT 6

**EXCERPT OF RELEVANT PORTION OF
TED ROBERTSON'S DIRECT TESTIMONY
ON BEHALF OF
THE OFFICE OF THE PUBLIC COUNSEL
GR-2007-0208**

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


In the Matter of Laclede Gas Company's)
Tariff to Revise Natural Gas Rate) Case No. GR-2007-0208
Schedules.)

AFFIDAVIT OF TED ROBERTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ted Robertson, of lawful age and being first duly sworn, deposes and states:

1. My name is Ted Robertson. I am a Public Utility Accountant for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




Ted Robertson, C.P.A.
Public Utility Accountant III

Subscribed and sworn to me this 4th day of May 2007.



JERENE A. BUCKMAN
My Commission Expires
August 10, 2009
Cole County
Commission #06754036



Jerene A. Buckman
Notary Public

My commission expires August 10, 2009.

TABLE OF CONTENTS

Testimony	Page
Introduction	1
Manufactured Gas Plant Remediation	3
Uncollectible Expense	7
Emergency Cold Weather Rule Accounting Authority Order	8
Safety-Related Accounting Authority Orders	11

1
2
3
4
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Q. WHY DOES PUBLIC COUNSEL RECOMMEND USING A THREE-YEAR AVERAGE OF THE MOST RECENT NET UNCOLLECTIBLE WRITE-OFFS INCURRED BY COMPANY?

A. During the Company's last six fiscal years, the net uncollectible write-offs incurred by the utility has fluctuated by significant amounts. For example, in fiscal year 2001 Company's the net uncollectible write-offs was \$5.4 million, in fiscal year 2002 \$11.3 million, and in fiscal year 2003 \$7.5 million; however, subsequent to fiscal year 2003, the annual net uncollectible write-offs has been trending upwards. It is Public Counsel's belief that the utilization of an average of the net uncollectible write-offs incurred for the most recent three years would recognize the fact that the costs have increased while also providing incentive to the utility to work diligently to control future costs.

IV. EMERGENCY COLD WEATHER RULE ACCOUNTING AUTHORITY ORDER

Q. WHAT IS THE ISSUE?

A. Company was granted an accounting authority order ("AAO") in Case No. GU-2007-0137 relating to the costs of complying with the emergency amendment to the cold weather rule (Case No. GU-2007-0137 was subsequently consolidated with Case No. GR-2007-0208). The issue concerns the annual amortization level of the costs deferred by the accounting authority order ("AAO") that should be included as an expense in the determination of

Direct Testimony of Ted Robertson
Case No. GR-2007-0208

1 Laclede's rates pursuant to the cold weather rule amendments approved by the
2 Commission in Case Nos. GX-2006-0181 and GX-2006-0434.

3
4 Q. WHAT IS THE BALANCE OF THE COSTS DEFERRED BY COMPANY AS OF
5 SEPTEMBER 2006?

6 A. My review of Company's general ledger account 182.580 indicates that as of the end of
7 the utility's fiscal year 2006 it had deferred \$4,700,000.

8
9 Q. WHAT IS THE BALANCE OF THE DEFERRAL FOR THE PERIOD TWELVE
10 MONTHS ENDING MARCH 2007?

11 A. The balance in general ledger account 182.580 as of the end of March 2007 is
12 \$4,750,000.

13
14 Q. DOES PUBLIC COUNSEL BELIEVE THAT THE AMOUNT OF DEFERRED COSTS
15 BOOKED IN ACCOUNT 182.580 IS EXCESSIVE?

16 A. Yes. I have calculated that \$4,111,936 is the balance of deferred cost, before the
17 application of interest, that should have been booked pursuant to the methodology
18 prescribed in the cold weather rule.

19
20 Q. DOES THE COLD WEATHER RULE REQUIRE THE ADDITION OF INTEREST ON
21 THE DEFERRED COST BALANCE?

1 A. Yes. I have calculated that \$921,721 in interest, based on a five-year amortization of the
2 deferred cost balance, should be added to the deferred cost balance prior to determining
3 the annual level of amortization to include in Company's cost of service.
4

5 Q. WHAT IS THE ANNUAL LEVEL OF EXPENSE PUBLIC COUNSEL
6 RECOMMENDS INCLUDING IN COMPANY'S COST OF SERVICE?

7 A. Public Counsel's recommendation is that the costs associated with the cold weather rule
8 AAO should be amortized to Company's cost of service over a five-year period. The sum
9 of the \$921,721 in interest and the \$4,111,936 deferred cost balance equals \$5,033,656.
10 Amortizing the total balance over five years results in an annual expense of \$1,006,731
11 (i.e., \$5,033,656 divided by 5).
12

13 Q. DOES PUBLIC COUNSEL BELIEVE THAT THE ANNUAL EXPENSE IT
14 RECOMMENDS WILL BE MODIFIED PRIOR TO THE CONCLUSION OF THE
15 INSTANT CASE?

16 A. Yes, that is possible. The supporting data I utilized to calculate the deferred cost balance
17 and the interest amount included Company estimates of its future short-term debt rate and
18 uncollectible expense write-offs. Both the short-term debt rate and uncollectible expense
19 write-offs are subject to further refinement, and it is also expected that additional activity
20 will occur in the customers' accounts upon which the supporting data relies. Public
21 Counsel will address these issues further in later testimony as necessary.

EXHIBIT 7

**EXCERPT OF RELEVANT PORTION OF
UNANIMOUS STIPULATION AND AGREEMENT
GR-2007-0208**

with the effective date of the rates established in this case. Also, beginning with the effective date of rates in this case, assets purchased from Fidelity on February 28, 2006 are to be depreciated using Laclede depreciation rates.

Accounting Authorizations/Reservation of Rights

14. The Parties agree that Laclede shall, for book purposes, be authorized to continue to normalize the income tax timing differences inherent in the recognition of pension costs, OPEB costs, and Accounting Authority Order (AAO) recoveries as authorized in Paragraphs 5-12 and 16 of this Stipulation and Agreement; by recording and recognizing in any future rates deferred income tax expense for such differences, provided that the Parties shall have the right to review and propose a different treatment of such timing differences in Laclede's next general rate case proceeding.

15. Nothing herein shall be construed as prejudicing the Company's right to pursue revised tariff provisions relating to its liability for services provided to customers, provided that all parties shall retain the right to oppose such provisions on any basis other than the grounds that such tariff provisions should have been disposed of in this proceeding. It is further contemplated that the structure and contents of Laclede's school aggregation tariff will be addressed through a separate tariff filing after conclusion of this case.

16. The Parties agree that \$5,033,655 in uncollectible expense and interest costs relating to compliance from January 1, 2006 through March 31, 2006 with the Emergency Cold Weather Rule Amendment (ECWRA) in Case No. GX-2006-0434 should be amortized and recovered in rates over a five year period at a rate of \$1,006,731

per year. Such costs include \$4,111,936 in uncollectible expense, and \$921,719 in accumulated interest through the end of the amortization period.

Off-System Sales/Capacity Release Revenues

17. Beginning October 1, 2007, a portion of any off-system sales or capacity release revenues realized by Laclede shall be subject to flow-through to customers through the Company's PGA clause with the first associated reduction in PGA rates occurring with the Company's November 2007 PGA filing. The margins from such sales shall be shared between the Company and its customers in accordance with the following grid: (a) for the first two million dollars in annual net revenues, 85% customers/15% Company; (b) for the second two million dollars in annual net revenues, 80% customers/20% Company; (c) for the third two million dollars in annual net revenues, 75% customers/25% Company; and (c) for all annual net revenues in excess of \$6 million, 70% customers/30% Company. Off-system sales margins are to be allocated to firm sales and firm transportation customers in the PGA based upon actual allocation of producer demand charges and capacity reservation charges to those classes. Capacity release credits in the PGA are to be allocated to firm sales and firm transportation customers in the PGA based upon actual allocation of capacity reservation charges to those classes. It is expressly understood that any Party may propose a different treatment of off-system sales and capacity release revenues in a subsequent rate case proceeding and nothing herein shall prejudice or limit that right. The Parties further agree that the Company's tariff relating to off-system sales shall be modified to incorporate by reference therein the terms of this paragraph, as set forth on **Tariff Sheet No. R-43** in

explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order issued in this case.

30. If the Commission so requests, the Staff shall file suggestions or a memorandum in support of this Stipulation. Each of the other Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all Signatories. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other Parties to this Stipulation, whether or not the Commission approves and adopts this Stipulation.

31. To assist the Commission in its review of this Stipulation, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the Parties relating to the matters addressed in this Stipulation, including any procedures for furnishing such information to the Commission.

32. The non-signatory parties to this case have had an opportunity to review this Unanimous Stipulation and Agreement and have expressed no objection to its contents.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Unanimous Stipulation and Agreement.

Respectfully submitted,

LACLEDE GAS COMPANY

/s/ Michael C. Pendergast

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Rick Zucker, Mo. Bar 49221
Assistant General Counsel – Regulatory

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MISSOURI PUBLIC SERVICE
COMMISSION STAFF

/s/ Lera Shemwell

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/s/ Lisa C. Langeneckert

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Attorneys for the Missouri Energy Group

EXHIBIT 8

**EXCERPT OF RELEVANT PORTION OF
THE TRANSCRIPT FROM THE PRESENTATION OF THE
UNANIMOUS STIPULATION AND AGREEMENT
GR-2007-0208**

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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS
Stipulation Hearing
July 12, 2007
Jefferson City, Missouri
Volume 8

In the Matter of Laclede Gas)
Company's Tariff to Revise Gas) Case No. GR-2007-0208
Rate Schedules) et al.

NANCY M. DIPPELL, Presiding,
SENIOR REGULATORY LAW JUDGE.

JEFF DAVIS, Chairman,
CONNIE MURRAY,
STEVE GAW,
ROBERT M. CLAYTON III,
LINWARD "LIN" APPLING,
COMMISSIONERS.

REPORTED BY:
KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES

1 it in installments, and, you know, they're not paying a
2 bill in advance if you will. And I just kind of contrast
3 that to other industries. The telephone company, for
4 example, I think that I get billed like a month in
5 advance. And with the gas company, you know, normally you
6 get hooked up, you don't pay anything, you go 40 days or
7 50 days until after you've been billed. You have 20 days
8 on top of that, and then finally we start collecting
9 something.

10 So, you know, that basic structure is left
11 in place at least for now, and that, you know, I think
12 provides some comfort for those that are concerned about
13 what the impact will be on customers.

14 COMMISSIONER GAW: On page 10, and I think
15 Mr. Pendergast already -- has already sufficiently dealt
16 with this for my benefit, but on 15 there, there is
17 nothing in here regarding decreasing or further insulating
18 Laclède from liability, correct?

19 MS. SHEMWELL: That's correct.

20 COMMISSIONER GAW: The calculation in 16 on
21 page 10 of the amount of uncollectible expense and
22 interest costs related to the emergency cold weather rule
23 amendment, what form -- what was used to come up with that
24 calculation?

25 MS. SHEMWELL: Do you want to swear

1 Mr. Oligschlaeger?

2 JUDGE DIPPELL: Mr. Oligschlaeger, would
3 you please raise your right hand.

4 (Witness sworn.)

5 JUDGE DIPPELL: Thank you.

6 MR. OLIGSCHLAEGER: The specific number
7 that was stipulated here actually comes from the testimony
8 of OPC witness Mr. Ted Robertson. I think our number in
9 our direct testimony was slightly different, but the
10 parties determined through settlement that we could all
11 concur in Mr. Robertson's and OPC's quantification.

12 COMMISSIONER GAW: And OPC, this
13 calculation is based upon which methodology?

14 MR. POSTON: I would have to ask
15 Mr. Robertson, and I know he's in the back hiding.

16 COMMISSIONER GAW: I'm not trying to delay
17 this.

18 JUDGE DIPPELL: Mr. Robertson?

19 COMMISSIONER GAW: I just wanted the
20 answer.

21 MR. ROBERTSON: I have to apologize. I'm
22 not really dressed for this.

23 JUDGE DIPPELL: That's all right. Would
24 you raise your right hand.

25 (Witness sworn.)

1 COMMISSIONER GAW: Can you answer my
2 question?

3 MR. ROBERTSON: Yes, I can. Basically what
4 happens, the company put together an analysis based on
5 what the AAO stated. I looked at the analysis. I
6 accepted pretty much everything they did except for some
7 customers had made payments, and rather than apply them to
8 the balances that were overdue, the company hadn't done
9 that. So I adjusted their analysis to make sure those
10 payments came off the top first.

11 And then other than that, we pretty much
12 accepted everything the company did.

13 COMMISSIONER GAW: Kind of what I'm looking
14 for here, we went through this discussion.

15 MR. ROBERTSON: Excuse me one second. It
16 changed to a five-year amortization. I think they
17 originally had three-year.

18 COMMISSIONER GAW: What I'm looking for
19 here is there was discussion about whether or not any
20 benefit -- at one point in time, in discussing this cold
21 weather rule, these provisions, about whether benefits
22 would be netted in, and in regard to any costs that might
23 have occurred from amendment. You may not be familiar
24 with that. But there was -- there was disagreement among
25 the Commissioners about how that should be handled, and

1 I'm trying to understand whether or not there was an
2 assessment of any particular benefits that might have been
3 derived. The fact that you netted some payments might be
4 construed to be that. I don't know if that's the only
5 thing that you did or not.

6 MR. ROBERTSON: I'm not sure I know what
7 benefit you're talking about.

8 COMMISSIONER GAW: Well, if people were on,
9 stayed on afterwards, there were benefits from the revenue
10 stream coming in that wouldn't have occurred if they had
11 remained disconnected.

12 MR. ROBERTSON: The analysis did take care
13 of payments that were made. The company, payments that
14 were made, subtracted them off to reach a net number. So,
15 I mean, as far as payments being made to come up with a
16 final number, final net number that the company believed
17 was owed to them, yes, that did occur.

18 COMMISSIONER GAW: Do you know whether this
19 is consistent with OPC's initial position in regard to how
20 the benefits should be calculated on the cold weather
21 rule?

22 MR. ROBERTSON: Since I wasn't part of that
23 initial testimony, I'm not sure.

24 MR. POSTON: Do you mean initial position
25 in other cases?

1 COMMISSIONER GAW: On the cold weather rule
2 itself.

3 MR. POSTON: I believe we're consistent
4 with our position, but I can't point to what we've argued
5 in those instances to say whether that's for certain.

6 MR. ROBERTSON: I would add, though, as far
7 as what was in the AAO and what the Commission ordered, I
8 think we followed that.

9 COMMISSIONER GAW: Yeah. That's what
10 worries me.

11 MR. ROBERTSON: I had a Commission Order to
12 rely on. We followed it.

13 COMMISSIONER GAW: I understand. It
14 doesn't help me. It helps others. Okay. So let me --
15 I'll move on. Thanks.

16 Let's see. The off-system sales and
17 capacity release provisions, first of all, someone give me
18 a pretty quick definition of net revenues, if you would.
19 When you say net, what's it net of?

20 MR. PENDERGAST: I think that's just the
21 margin. It's the amount that you make that is in excess
22 of what your actual costs are.

23 COMMISSIONER GAW: In acquiring it to begin
24 with?

25 MR. PENDERGAST: Well, looking at the

EXHIBIT 9

**NON-UNANIMOUS STIPULATION AND AGREEMENT
BETWEEN LACLEDE AND STAFF
GU-2007-0138**

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

In the Matter of the Application of Laclede)
Gas Company for an Accounting Authority Order)
Authorizing the Company to Defer for Future Recovery) Case No. GU-2007-0138
the Costs of Complying With the Permanent)
Amendment to the Commission's Cold Weather Rule)

NON-UNANIMOUS STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission ("Staff") and Laclede Gas Company ("Laclede" or "Company") (collectively, "the Signatories") and, pursuant to 4 CSR 240-13.055(14) and 4 CSR 240-2.115, file this Non-Unanimous Stipulation and Agreement. In support thereof, the Signatories state as follows:

1. On December 13, 2005, the Commission issued its Order Approving Emergency Amendment (the "Emergency Amendment"), in which it amended, effective January 1, 2006, Commission Rule 4 CSR 240-13.055, entitled "Cold Weather Maintenance of Service," and known as the "Cold Weather Rule."

2. On August 11, 2006, the Commission issued its Order of Rulemaking in Case No. GX-2006-0434, effective November 1, 2006, in which it adopted on a permanent basis (the "Permanent Amendment") a number of the provisions that had been placed into effect as part of the Emergency Amendment.

3. In addition to permitting customers to reconnect or maintain service by paying the lesser of 50% or \$500 of preexisting arrears, the Permanent Amendment also sets forth terms explaining how gas utilities should calculate and recover the costs of complying with the Permanent Amendment. *See* 4 CSR 240-13.055(14)(F) and (G). The Permanent Amendment also specifies that gas utilities may calculate and defer costs

under the Emergency Amendment upon the same terms as those set forth in the Permanent Amendment. 4 CSR 240-13.055(14)(F)4.

4. On September 29, 2006, Laclede filed applications for accounting authority orders (“AAOs”) in Case Nos. GU-2007-0137 and GU-2007-0138 to defer for future recovery the costs of complying with the Emergency Amendment and the Permanent Amendment, respectively. The Commission granted both AAOs on December 7, 2006.

5. On October 31, 2006, Laclede filed its Request for Determination of the Cost of Compliance with the Emergency Amendment in Case No. GU-2007-0137. On December 1, 2006, Laclede filed its request for a general rate increase in Case No. GR-2007-0208 (the “Rate Case”). Since Laclede would not begin to recover the costs deferred through the Emergency Amendment AAO until the Rate Case was processed anyway, it was deemed more efficient to determine Laclede’s cost of compliance with the Emergency Amendment in the Rate Case itself, rather than in an additional and separate proceeding. Accordingly, on March 14, 2007, Case No. GU-2007-0137 was consolidated with the Rate Case, and the Rate Case was designated as the lead case. The amount and amortization of the cost of compliance with the Emergency Amendment was agreed upon by the parties and eventually included in the Unanimous Stipulation and Agreement in the Rate Case, which was approved by the Commission on July 19, 2007.

6. However, because the Rate Case was administered before Laclede could determine its costs to comply with the Permanent Amendment for the winter of 2006-07, cost recovery for that winter was not included in the settlement of the Rate Case. Pursuant to 4 CSR 240-13.055(14)(G)2, Laclede therefore filed on October 31, 2007 a

subsequent request for determination of the cost of compliance with the Permanent Amendment for the winter of 2006-07. Consistent with the requirements of 4 CSR 240-13.055(14)(G)2, Laclede included in its filing all supporting information required to make a determination of the cost of compliance with the Permanent Amendment, including specific information for each customer account that was extended a cold weather rule agreement during the relevant period. Except for the inclusion of administrative costs (which have now been eliminated), the cost of compliance reflected in the filing was calculated by Laclede using the same method that was used by the parties to calculate the cost of compliance with the Emergency Amendment in the Rate Case.

7. Subsequent to the filing, the Staff, Public Counsel and Company met on a number of occasions in an effort to reach agreement on a proper calculation of the compliance costs associated with the Permanent Amendment. As a result of those discussions, the Signatories agree as follows:

(a) Laclede should be authorized to recover in its next general rate case proceeding compliance costs associated with the Permanent Amendment in the amount of \$2,494,311. Additional interest at Laclede's annual short-term borrowing rate shall accumulate beginning September 30, 2007.

(b) Such compliance cost amount, plus interest, shall be amortized in rates over up to a five year period beginning with the effective date of the new rates established in Laclede's next general rate case proceeding.

WHEREFORE, the Staff of the Missouri Public Service Commission and Laclede Gas Company respectfully request that the Commission issue its Order

authorizing Laclede: (a) to recover in its next general rate case proceeding compliance costs associated with the Permanent Amendment in the amount of \$2,494,311, as of September 30, 2007; (b) to accumulate additional interest, at Laclede's annual short-term borrowing rate on such amount beginning September 30, 2007; and (c) to amortize such amounts in rates over up to a five-year period beginning with the effective date of the new rates established in Laclede's next general rate case proceeding.

Respectfully requested,

<p><u>/s/ Lera L. Shemwell</u> Lera L. Shemwell Deputy General Counsel Missouri Bar No. 43792 Attorney for the Staff of the Missouri Public Service Commission P. O. Box 360 Jefferson City, MO 65102 (573) 751-7431 (Telephone) (573) 751-9285 (Fax) lera.shemwel@psc.mo.gov</p>	<p><u>/s/ Michael C. Pendergast</u> Michael C. Pendergast #31763 Vice President and Associate General Counsel Rick Zucker #49211 Assistant General Counsel</p> <p>Laclede Gas Company 720 Olive Street, Room 1520 St. Louis, MO 63101 (314) 342-0532 Phone (314) 421-1979 Fax mpendergast@lacledegas.com rzucker@lacledegas.com</p>
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing Request has been duly served on the General Counsel of the Staff of the Missouri Public Service Commission and on the Office of the Public Counsel on this 28th day of February, 2008, by hand-delivery, facsimile, electronic mail, or by placing a copy of such Request, postage prepaid, in the United States mail.

/s/ Lera Shemwell
Lera Shemwell