

**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 the Costs of)	Case No. GU-2007-0138
Complying with the Permanent)	
Amendment to the Commission's Cold)	
Weather Rule.)	

PUBLIC COUNSEL'S REPLY TO LACLEDE'S OPPOSITION

COMES NOW the Missouri Office of the Public Counsel and in response to Laclede Gas Company's Response in Opposition to the Motion for Waiver Filed by the Office of the Public Counsel states:

1. Despite the parties' agreement not to file reply briefs in this case, Laclede seized the opportunity to file reply brief arguments in response to Public Counsel's motion for a rule waiver. Laclede's disregard for honoring that agreement is not surprising given Laclede's attempt to hold Public Counsel to an incorrect cost calculation method that Laclede and Public Counsel agreed would not bind any party in the future. Laclede's response is simply a continuation of Laclede's strategy to take the focus away from the true purpose of this case by trying to make this a case about Public Counsel. The only issue in this case is an accurate determination of the expenses Laclede incurred complying with the cold weather rule (CWR). The Commission should not allow itself to be misled by Laclede's dishonest attempt to obscure the focus of this case and over-recover its costs.

2. Laclede's response argues in favor of a cost calculation that a reviewing court would likely reverse for one or more of the following reasons:

a. Laclede's calculation would allow Laclede to recover prior bad debts in violation of 4 CSR 240-13.055(14)(F)4.

b. Laclede's calculation would allow recovery of costs that would have been incurred in the absence of the CWR amendment, in violation of 4 CSR 240-13.055(14)(F)2.

c. Laclede's calculation would allow Laclede to book to Account 186 costs that exceed the incremental expenses incurred and incremental revenues caused by the CWR amendment, in violation of 4 CSR 240-13.055(14)(G)1.

d. Laclede's calculation includes a large number of accounts that do not qualify because they were not reconnected or reinstated under the terms of the CWR amendment. Exhibit 3HC, the first page from Laclede's 8,400 account spreadsheet, includes seventy four (74) accounts that Laclede claims caused it to incur costs under the rule. A third of these accounts were reconnected or reinstated by a payment of less than forty-five percent (45%) of that customer's previous arrears, and one out of ten made an initial payment of less than twenty-five percent (25%) of arrears. These accounts do not qualify, and could represent a third of the total accounts claimed by Laclede.

e. Laclede's calculation does not provide for a true-up at the time the costs would be included in rates, which would violate the single-issue ratemaking prohibition requiring the Commission to consider all relevant factors when setting rates.

f. Laclede's calculation would allow Laclede to include accounts that Laclede could have disconnected and thereby avoided additional arrearages. These additional arrearages were not caused by the CWR amendment.

g. Laclede's calculation would allow Laclede to recover the same expense twice: 1) as a cost of the CWR amendment; and 2) when recovered from customers after September 30, 2007. Many of the accounts claimed could have already paid off their arrears, including the 80% to 50% initial payment difference claimed by Laclede.

3. Public Counsel also refutes the argument that Public Counsel's position is a collateral attack on a Commission rule. The authority cited by Public Counsel in support of its position is the rule that Laclede claims Public Counsel is collaterally attacking. Public Counsel is simply offering an interpretation of the rule which would avoid the unreasonable and unlawful cost determination proposed by Laclede.

4. Approving Laclede's cost calculation would be unreasonable, unlawful, and would cheat St. Louis ratepayers out of \$1.5 million to over \$2 million in false "costs."

WHEREFORE, the Office of the Public Counsel respectfully offers this response and asks that the Commission reject Laclede's request for almost \$2.5 million as its costs of complying with the Commission's cold weather rule amendment.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 15th day of April, 2008:

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