

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2009-0029, Laclede Gas Company

FROM: Lisa K. Hanneken, Auditing Department

/s/ Lisa K. Hanneken 9/16/2008
Utility Services Division/Date

/s/ Dennis L. Frey 9/16/2008
General Counsel's Office/Date

SUBJECT: Staff Recommendation to approve Laclede Gas Company's application for abandonment of gas service to customers in the Spanish Manor, Crest Manor, and White Oak Estates Mobile Home Parks in Jefferson County, Missouri.

DATE: September 16, 2008

On July 18, 2008, Laclede Gas Company (Company), on behalf of its Missouri Natural Gas Company division, filed an application with the Missouri Public Service Commission (Commission) requesting permission to abandon liquid propane (LP) gas service to customers that reside in the Spanish Manor, Crest Manor and White Oak Estates Mobile Home Parks (collectively, the "Parks"). These Parks are not contiguous to each other and are operated by the Company as centralized stand-alone systems. During the 1970's, the Company served 362 customers on these three systems; however, in recent years the Company has experienced a substantial decline in the number of customers and currently serves only 46 customers. A breakdown of the number of customers that the Company currently serves by system is shown in the table below:

<u>SYSTEM</u>	<u>CURRENT CUSTOMERS</u>
Spanish Manor	3
White Oaks Estates	15
Crest Manor	<u>28</u>
Total Customers	46

The Company has provided propane service to customers located in the Parks since the early 1970s. It was originally contemplated that natural gas service would eventually be provided to the Parks, but the anticipated customer growth required to justify additions to the Company's distribution system was never realized. The current centralized systems for providing the propane service are deteriorating. The Company states that most, if not all, of the distribution pipelines for these systems will need to be replaced within the next several years. The Company estimates that this replacement would cost \$250,000 and would not be an economically feasible option, given the number of customers it would serve. Under approved rate schedules, the Company realized only \$7,452 of customer charge revenues from the Parks from July 1, 2007 to June 30, 2008. Rather than invest in the upgrades needed to continue to serve the customers, the Company believes it makes more sense to abandon the deteriorating assets, sell those assets which can still be utilized and allow an unregulated entity to serve the Parks' customers.

Subject to the Commission's approval of the Company's application, the Company has executed a sale agreement with AmeriGas Partners, L.P. (AmeriGas). The terms of this agreement would provide for the transfer of the systems' existing propane tanks to AmeriGas at no charge, as well as the purchase by AmeriGas of remaining propane volumes. AmeriGas would, at no charge, provide and connect an individual propane tank for each customer that desires to receive service from AmeriGas. This direct connection eliminates the need for the centralized system of mains and service lines currently serving the Parks' customers, which the Company intends to abandon in place.

CURRENT RATES AND TERMS

The Company's current rates are summarized in the table below:

Customer Charge	\$13.50 per month
Per Gallon Rate	\$2.00159 per gallon (eff. 08/08/08)

These rates were established and approved by the Commission as part of rate Case No. GR-2007-0208. Using these rates and an average of 300 gallons annual usage, the average annual gas bill is \$762.

PROPOSED AMERIGAS RATES AND TERMS

AmeriGas rates would be as follows:

Customer Charge	N/A
Per Gallon Rate (first 400 gallons)	\$2.099 (eff. 08/08/08)
Per Gallon Rate (after initial 400)	\$2.699 (eff. 08/08/08)

Utilizing the initial discounted rate, the average annual gas bill would be \$630; after the initial 400 gallons purchased, the bill would be \$810.

*Note: All prices quoted above are subject to fluctuations, given that they are based on market pricing. AmeriGas will provide a discounted price to the customers on the first 400 gallons purchased, based on current market conditions.

AmeriGas will provide the following billing options:

- Monthly billing
- Budget billing
- New “Locked-In Rate” Program
 - AmeriGas is offering the “Locked-In” rate of \$2.659, which is the current rate (effective 08/08/08).
 - The AmeriGas lock-in price covers a dollar/gallonage commitment or a one-year term, whichever happens first. Any amounts paid for but not used by the customer at the end of the year remain as a credit on the customer’s AmeriGas account. The lock-in arrangement is annually offered in late spring, effective in June.

AmeriGas will provide the individual tanks, set-up and connection at no charge.

COSTS TO THE COMPANY

The facilities at Crest Manor were installed in 1970 at an original cost of \$32,697. The facilities include 7,873 feet of 2-inch steel main, services, meters, fencing, and twenty-one 1,000 gallon propane tanks. The facilities at Spanish Manor were installed in 1973 at an original cost of \$8,224. The facilities include 2,004 feet of $\frac{3}{4}$ inch and 2 inch steel main, services, fencing, and six 1,000 gallon propane tanks. The facilities at White Oak Estates were installed in 1973 and 1989 at an original cost of \$13,972 and \$12,111, respectively. The facilities include 2,230 feet of $\frac{3}{4}$ inch, 2 inch, and 4 inch steel main. In addition, the White Oak Estates facilities included meters, services, fencing and three 1,000 gallon propane tanks.

The Company estimates that its cost to implement the proposed sale agreement will be \$36,100. This includes the cost to purge and retire the mains and services, as well as removal of the remaining meters for all three mobile home parks.

RECOMMENDATIONS

Staff recommends that Laclede's application for abandonment, and the subsequent sale to AmeriGas, be approved by the Commission. Based upon market propane prices in effect on August 8, 2008, customers electing to receive service from AmeriGas will enjoy savings during the discount period and would encounter a marginal increase once they exceed the initial 400 gallon discounted price. The Company's proposal is reasonable, considering the substantial cost associated with updating these deteriorating systems. However, Staff recommends that the Commission's grant of the Company's application be conditioned on the Company recognizing a \$6,000 current market value as the appropriate net salvage for the storage tanks. The Staff recommends that this \$6,000 fair market value be recognized as a reduction to the estimated \$36,100 removal cost for these systems.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Abandonment by)
Laclede Gas Company, on behalf of its)
Missouri Natural Gas Company Division, of)
General L.P. Gas Service to Customers in the)
Spanish Manor, Crest Manor, and White Oak)
Estates Mobile Home Parks in Jefferson)
County, Missouri)

Case No. GO-2009-0029

AFFIDAVIT OF LISA K. HANNEKEN

STATE OF MISSOURI)

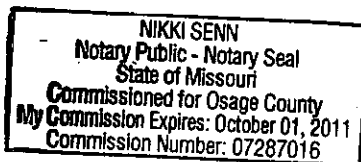
COUNTY OF Colo)

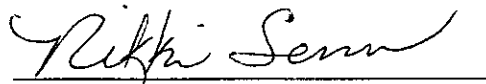
ss.

Lisa K. Hanneken, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by her; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true and correct to the best of her knowledge and belief.


Lisa K. Hanneken

Subscribed and sworn to before me this 15th day of September, 2008.




Notary Public