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November 22, 2002

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

FILED³
NOV 22 2002

Re: Case No. GT-2003-0117

Missouri Public
Service Commission

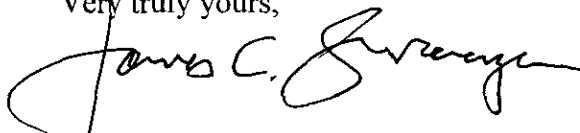
Dear Mr. Roberts:

Enclosed for filing on behalf of Laclede Gas Company, please find an original and eight (8) copies of a Statement of Positions.

Would you please see that this filing is brought to the attention of the appropriate Commission personnel.

I thank you in advance for your cooperation in this matter.

Very truly yours,



James C. Swearengen

JCS/lar

Enclosure

cc: All Parties of Record

RLJ Ruth

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of)
Laclede Gas Company to Implement a)
Program called Catch-Up-Keep-Up.)

Case No. GT-2003-0117

FILED³
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Missouri Public
Service Commission

STATEMENT OF POSITIONS

COMES NOW Laclede Gas Company ("Laclede" or "Company") and for its
Statement of Positions in the above-captioned proceeding, states as follows:

ISSUES FOR COMMISSION DECISION

1. **Is there a need for a Program similar in form to the one proposed by Laclede (the "Program") and, if so, what is the nature, immediacy, and scope of that need?**

Yes. Laclede believes that the evidence in this proceeding shows a clear and compelling need for the experimental Catch-Up/Keep-Up Program that it has proposed in this proceeding. Over the past several years, there has been a significant decline in the resources available from the Low Income Home Energy Assistance Program ("LIHEAP") and other sources to help the Company's most vulnerable customers with their energy bills. In fact, it is anticipated that LIHEAP funding for Missouri this winter will be some \$9 million dollars less than what was received last winter and over \$19 million (or almost 40%) less than what was received for the winter of 2000/2001. In addition, it is highly unlikely that the State of Missouri itself will be in a position to provide any meaningful energy assistance this winter under the state's Utilicare Program. At the same time, many of the Company's customers continue to experience difficulty in paying their bills as evidenced by the fact that as of September 30, 2002, there were 110,324 residential customers on Laclede's system with total arrearages of \$18,523,000.

Even more significant, a total of 21,080 of these customers' accounts (with arrearages of nearly \$10 million or over \$450 per customer on average) had been finaled, meaning that those customers are not currently receiving gas service. In light of these considerations, Laclede believes there is a significant and immediate need for the Catch-Up/Keep-Up Program.

2. If there is a need, is the Program properly designed to address that need?

Yes. Laclede believes that the Catch-Up/Keep-Up Program has been properly and uniquely designed to address the need described above. All of the major elements of the Program have their roots in low-income grant programs and incentive mechanisms that have previously been approved by the Commission. The Company has also made a number of significant revisions to the Program since it was first filed in an effort to address the concerns and incorporate the suggestions of other parties. These include, among others, the elimination of the Company's right to retain 10% of the pipeline discounts for its own use, the imposition of an overall cap on Program funding, and the establishment of escrow and refund safeguards. With these and other changes, the Company believes the Program represents a well-designed and carefully-constructed initiative for addressing the needs of its low-income customers while protecting the interests of all of its other customers.

A. Does the Program have the potential to benefit or harm customers?

1. All customers

Laclede believes that the Program has been reasonably designed to benefit all of its customers. Like other low-income programs that have been approved by the Commission, the Catch-Up/Keep-Up Program is designed to make utility service

affordable for the Company's most vulnerable customers while providing them with an incentive to improve their payment performance. Experience in other states has shown that these kinds of programs produce benefits for all customers in the long run by reducing uncollectible, disconnection and collection expenses below the levels that would have been incurred in the absence of such programs. Reductions of these expenses ultimately benefit all customers who would otherwise have to pay for them in their rates. The Program also provides an additional incentive to reduce costs for all customers by using a funding source that depends on the Company's successful efforts to negotiate payment obligations with its out-of-state pipeline suppliers that are below the maximum rates that FERC has deemed to be just and reasonable. In short, the Program provides both the Company and its most vulnerable customers with incentives to take actions that are reasonably calculated to benefit all customers.

2. Low-income customers

Laclede believes that the Program is unquestionably designed to benefit its low-income customers. By enabling such customers to initiate or retain utility service at an affordable rate and by including a truly innovative way for them to work off their arrearages in exchange for improving their payment practices, the Program provides these customers with a realistic opportunity to break the cycle of repeated and prolonged service disconnections. The testimony provided at the local public hearing in this case by both those who are struggling to make ends meet on very limited resources, and those who work with such customers every day, underscored just how important it is to provide this opportunity.

B. Does the Program have the potential to benefit or harm Laclede?

Since every last dollar of the 30% share of pipeline discounts would be used to fund and administer the Program and therefore go in their entirety to benefiting customers, any potential benefit to Laclede would be an indirect one. Laclede hopes that it will, in fact, benefit indirectly from the Program because it can only do so if its customers are also benefiting. In Laclede's view, the Program's potential for producing this kind of "win-win-win" result under which all customers would be benefited generally, low-income customers benefited specifically, and Laclede benefited indirectly, should be recognized as a good public policy outcome that further enhances the Program's attractiveness.

C. What revisions can or should be made to the operational terms of the Program?

Laclede has carefully evaluated the various recommendations made by the Office of the Public Counsel and Staff in their direct testimony regarding potential revisions to the Program. Laclede agrees that it would be reasonable to fully or partially implement a number of these revisions. Specifically:

- Laclede does not object to Public Counsel's and Staff's recommendation that a specific termination date for the Program be established. However, to permit the experimental Program to operate and be tested through at least three full winter seasons, Laclede believes that the termination and payment phase-out dates should be extended to March and September 2006, respectively. The Commission should also make it clear that prior to the termination date, any party, including the Company, would be free to seek an extension of the Program.
- Laclede does not object to Public Counsel's proposal that administrative costs for outside third parties be limited to 5% of the Program's funding cap. Although Laclede believes that this amount may not be fully sufficient to cover some of the third-party customer education and

outreach aspects of the Program, Laclede will search for other ways to accomplish these goals such as undertaking on its own more of the Program's administrative support functions.

- Laclede does not object to Public Counsel's proposal that the arrearage reduction per quarter be equal to the lesser of 1/4 of the customer's arrearages or \$375.
- Laclede does not object to Public Counsel's proposal to add back language to its tariff specifying that any reductions in the Company's uncollectible expense arising from the program will be reflected in the Company's cost of service in its next rate case since such language had only been deleted by the Company due to the request of another party.
- Laclede does not object to Public Counsel's proposal to lower the eligibility threshold for the Program from 175% of the poverty level to something lower, provided that the reduction applies to the first year only of the Program. Laclede also believes that the threshold should not be reduced below the 150% level reflected in the most recent amendments to the state's UtiliCare law and that after the first year of the Program the Company should be allowed to adjust the threshold back to 175% if experience shows that funding is sufficient to assist customers at this level.
- Laclede does not object to the record keeping requirements proposed by Public Counsel at pages 13-14 of Barbara A. Meisenheimer's testimony.

3. What level of funding is appropriate?

Given the magnitude of the need that has been identified for additional energy assistance, Laclede believes that the proposed \$6 million funding cap for the Program is reasonable and proportionate to that need. In the event the Commission is inclined to consider a lower funding cap, however, as others have recommended, Laclede believes that it should at least be equal to the amount of Program funding that would have been produced before the Company proposed to supplement that funding with the 10% share of pipeline discounts that it had originally proposed to retain for its own use.

4. How can the Program be funded?

Laclede believes that the Program can and should be funded through the use of 30% of the pipeline discount savings achieved by the Company. The Commission has previously permitted gas utilities in Missouri to retain for their own use a percentage (ranging from 10% to 30%) of all or a portion of the discounts that they negotiate with their pipeline suppliers for transportation and storage service. The fact that such discounts would now be used to assist low-income customers under the Company's Program rather than retained for the Company's own use, only adds to the reasonableness and propriety of a mechanism that has previously been used by the Commission.

5. How should the Program be funded?

Laclede believes that its funding proposal is the only one that has been presented in this proceeding since the AAO proposed by Staff does not provide any current funding whatsoever, nor any increase in the cash requirements needed to fund the Program, nor any assurance of adequate funding in the future. In fact, past experience with the AAO process indicates that it is highly unlikely that the Company would ever recover all or even most of any outlays it would make on the Program. In addition, the funding mechanism proposed by the Company is most appropriate because it depends on savings achieved by obtaining concessions from out-of-state pipeline suppliers rather than simple increases in the base rates paid by all customers.

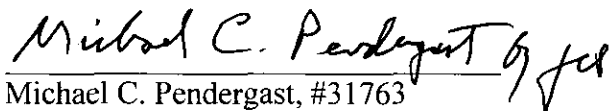
6. **Can weatherization, conservation, customer outreach and education, and administrative costs be included in the Program?**

Yes. As previously noted, Laclede has no objection to Public Counsel's proposal regarding limiting outside administrative costs to 5% of the Program's funding level. Laclede also has no objection to Public Counsel's proposal that \$300,000 in Program funding be committed to the Company's weatherization program.

7. **If so, how should they be included?**

See Response to Issue 6.

Respectfully Submitted,

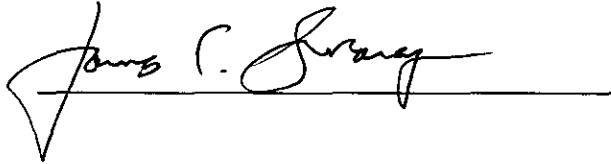


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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing Response was served on the General Counsel of the Staff of the Missouri Public Service Commission on this 22nd day of November, 2002 by hand-delivery or by placing a copy of such Response, postage prepaid, in the United States mail.

A handwritten signature in cursive script, reading "James C. Swaney", is written over a horizontal line. The signature is written in black ink.