

**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 19th day of July, 2007.

In the Matter of Laclede Gas Company's Tariff ) **Case No. GR-2007-0208, et al.**  
to Revise Natural Gas Rate Schedules. ) Tariff No. YG-2007-0384

**ORDER APPROVING UNANIMOUS STIPULATION AND AGREEMENT**  
**AND AUTHORIZING TARIFF FILING**

Issue Date: July 19, 2007

Effective Date: July 29, 2007

Syllabus: This order approves the Unanimous Stipulation and Agreement, rejects the initial tariff filing, and authorizes Laclede Gas Company to file tariffs in compliance with the agreement.

On December 1, 2006, Laclede Gas Company submitted to the Commission proposed tariff sheets (YG-2007-0384) intended to implement a general rate increase for gas service provided to retail customers in its Missouri service area. The proposed tariff sheets bore a requested effective date of January 1, 2007. The proposed tariff sheets were designed to produce an annual increase of approximately \$52.9 million in the Company's revenues including approximately \$9.8 million in revenues from an increase in its purchased gas adjustment (PGA) rates. On December 13, 2006, the Commission suspended the Company's proposed tariff sheets until November 1, 2007. Along with its proposed tariff sheets, Laclede submitted supporting Direct Testimony.

The Commission granted the unopposed applications to intervene of the Missouri Energy Group,<sup>1</sup> the USW Local 11-6, the Missouri School Boards Association, the Missouri Industrial Energy Consumers (MIEC),<sup>2</sup> and the Missouri Department of Natural Resources.

The Commission held six local public hearings in Laclede's service territory to receive public comment on the proposed tariffs.

On July 9, 2007, the parties filed a Unanimous Stipulation and Agreement. Attachment 1 to the agreement was amended on July 12, 2007, as were a number of the pages of the specimen tariff. In addition, on that date, the signature page for DNR was attached. No objections to the agreement were received. Staff filed a Memorandum in Support of the Unanimous Stipulation and Agreement on July 11, 2007. A copy of the Unanimous Stipulation and Agreement and its amendments are attached to this order as Attachments A and B.

On July 12, 2007, the Commission convened a hearing in its offices in Jefferson City in order to review the terms of the agreement with the parties. All parties except the USW Local 11-6 were represented at the hearing.

The signatory parties agreed that the Unanimous Stipulation and Agreement resolves all issues in this case. The parties further agreed that all of the prepared testimony and Staff's Affidavits could be received into the record. The Commission admits those exhibits as evidence.

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<sup>1</sup> The Missouri Energy Group is comprised of: Barnes-Jewish Hospital and SSM HealthCare.

<sup>2</sup> The Missouri Industrial Energy Consumers are: Anheuser-Busch Companies, Inc., The Boeing Company, DaimlerChrysler, Ford Motor Company, General Motors Corporation, Hussmann Refrigeration, J.W. Aluminum, Monsanto Company, Pfizer, Precoat Metals, Procter & Gamble Manufacturing Company, Nestlé Purina, Solutia, and Tyco Healthcare.

The agreement provides that Laclede should be authorized to file revised tariff sheets containing new rate schedules for natural gas service. The new tariffs will be designed to increase Laclede's annual non-gas, Missouri jurisdictional revenues by \$38,600,000 including \$5,500,000 in Infrastructure System Replacement Surcharges (ISRS) that are already in effect. These revenue amounts are exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes.

The parties further agreed that such revenue requirement shall be allocated to the Company's various customer classes in accordance and consistent with the customer billing determinants set forth in the amended Attachment 1 to the Unanimous Stipulation and Agreement. The parties also agreed to reduce the therm levels in the first block of Laclede's General Service distribution and PGA rates as set out in the attachment and that the rate differential between the first and second block of Laclede's General Service PGA would be reduced by 35%. The parties further agreed to certain credits and adjustments to be made through Laclede's PGA/Actual Cost Adjustment (ACA) mechanism.

The parties agreed that the rates set out in the sample tariff sheets attached to the agreement, as amended, are just and reasonable. The Unanimous Stipulation and Agreement contains numerous other provisions to resolve disputed issues between the parties, including a provision whereby the parties agree that Laclede's proposed tariffs should go into effect on August 1, 2007, or as soon thereafter as practical. Other issues resolved include: 1) tariff modifications for service initiation fees, reconnection charges, and credit scoring for deposits; 2) pensions and other post-employment benefits; 3) depreciation; 4) accounting authorizations and reservation of rights; 5) off-system sales and capacity release revenues; 6) gas supply incentive plan (GSIP); 7) low-income energy

assistance program; 8) fixed gas price option; 9) ISRS; 10) cost allocation manual and affiliate transactions; and 11) the elimination of separate rate schedules for the former Fidelity Natural Gas Company customers.

The Commission has the legal authority to accept a Unanimous Stipulation and Agreement as offered by the parties as a resolution of issues raised in this case.<sup>3</sup> In reviewing the agreement, the Commission notes:<sup>4</sup>

Every decision and order in a contested case shall be in writing, and, except in default cases, or cases disposed of by stipulation, consent order or agreed settlement, the decision, including orders refusing licenses, shall include or be accompanied by findings of fact and conclusions of law. \* \* \*

Consequently, the Commission need not make either findings of fact or conclusions of law in this order.

The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence.<sup>5</sup> Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the agreement.

## **DISCUSSION:**

This case illustrates one of the most important public policy questions faced by this Commission: What is the proper balance between keeping rates affordable in order to protect the health and welfare of consumers, especially those with fixed or low incomes,

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<sup>3</sup>Section 536.060, RSMo Cum. Supp. 2006.

<sup>4</sup>Section 536.090, RSMo Cum. Supp. 2006. This provision applies to the Public Service Commission. *State ex rel. Midwest Gas Users' Association v. Public Service Commission of the State of Missouri*, 976 S.W.2d 485, 496 (Mo. App., W.D. 1998).

<sup>5</sup> *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

and ensuring that utilities have the necessary cash flow to operate their business, maintain their infrastructure, and have an **opportunity** to earn a fair return on investment, which is necessary to encourage development and maintenance of infrastructure?<sup>6</sup> Both of these objectives are statutory duties of this Commission.

In this case, the record reflects that Laclede has not received an increase in rates for operational costs since 2005 and that Laclede, in January, requested almost \$53 million in increased rates. Furthermore, the record shows that Laclede has experienced increases in net utility investments since the last rate increase in 2005. In addition, Laclede has experienced approximately a 3% increase, roughly equal to the cost of inflation, in operating expenses.

The record further reflects that the proposed settlement in this case would reduce Laclede's original request substantially. The new revenues contemplated by the settlement would result in the average residential bill increasing approximately 2.65% or \$2.45 per month. The Commission recognizes that this is not a trivial amount of money to customers like those who testified at the public hearings. The increased cost of all utilities along with the rise in recent years of natural gas prices, gasoline prices, and healthcare costs have had an effect on those customers' ability to keep current on their bills.

Based on the agreement of the parties, the testimony received at the local public hearings, the prefiled testimony of the parties, and the arguments and testimony presented at the stipulation hearing, the Commission finds that the parties have reached a just and reasonable settlement in this case. Rate increases are necessary from time to time to ensure utilities have the cash flow to maintain safe and adequate service. In addition, the

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<sup>6</sup> See *generally*, Section 386.610, RSMo 2000.

low-income energy assistance and energy efficiency program provisions of this agreement greatly enhance Laclede's current programs, which the Commission believes is also in the public interest. Accordingly, the revisions set out in the specimen tariff sheets attached to the Unanimous Stipulation and Agreement, as amended, are just and reasonable. The Commission shall authorize Laclede to file tariffs in compliance with the Unanimous Stipulation and Agreement. The parties shall comply with the terms of the agreement, including the data and reporting requirements and the collaborative processes set out therein.

The tariffs to be filed shall be marked with an effective date which is at least 30 days past the issue date. However, because one provision of the agreement was that rates would be implemented by August 1, 2007, the Commission determines that good cause exists to approve tariffs that comply with the agreement on less than 30-days notice to become effective August 1, 2007.

**IT IS ORDERED THAT:**

1. The Unanimous Stipulation and Agreement filed on July 9, 2007, and amended on July 12, 2007, is hereby approved as a resolution of all issues in this case (See Attachments A and B).

2. Laclede Gas Company is ordered to comply with the terms of the Unanimous Stipulation and Agreement including the reporting requirements and collaborative processes set out therein.

3. The proposed gas service tariff sheets (YG-2007-0384) submitted on December 1, 2006, by Laclede Gas Company for the purpose of increasing rates for gas service to retail customers are hereby rejected.

4. Laclede Gas Company is authorized to file tariffs in compliance with the terms of the Unanimous Stipulation and Agreement.

5. Tariffs filed in accordance with Ordered Paragraph #4 shall be filed with an effective date which is at least 30 days after its issue date; however, if such tariffs are in compliance with the Unanimous Stipulation and Agreement, the Commission will approve those tariffs, effective August 1, 2007, or as soon thereafter as practical without the need for a further motion for expedited treatment.

6. The hearing set for July 30, 2007, to August 10, 2007, is canceled.

7. This order shall become effective on July 29, 2007.

**BY THE COMMISSION**

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', is written over a horizontal line.

Colleen M. Dale  
Secretary

( S E A L )

Davis, Chm., Murray, Clayton,  
and Appling, CC., concur.  
Gaw, C., dissents; separate  
dissenting opinion may follow.

Dippell, Deputy Chief Regulatory Law Judge