BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

St. Louis Natural Gas Pipeline LLC	)	
	)	
Complainant,	)	
v.	)	Case No. GC-2011-0294
	)	
Laclede Gas Company,	)	
Respondent.	)	

LACLEDE GAS COMPANY'S MOTION TO DISMISS, ANSWER TO COMPLAINT AND RESPONSE TO REQUEST FOR INVESTIGATION

COMES NOW Respondent, Laclede Gas Company ("Laclede" or Company) and, pursuant to Commission Rule 4 CSR 240-2.070 and the Commission's Notice of Complaint in this case, submits its Motion to Dismiss, Answer and Response to Request for Investigation. In support thereof, Laclede states as follows:

I. INTRODUCTION

In December 2010, an entity called St. Louis Natural Gas Pipeline, LLC ("SLNGP" or "Complainant") informed Laclede that it had developed a proposal to build an 11-mile pipeline from Natural Gas Pipeline Company of America's ("NGPL") pipeline facilities in Glen Carbon, Illinois to Laclede's distribution facilities in St. Louis. In the following months, SLNGP met with Laclede personnel on two occasions and presented various business propositions, all of which contemplated the making of a substantial financial commitment by Laclede, either in the form of subscribing to transportation service on the proposed pipeline or taking an investment stake in the project. SLNGP also conducted open season meetings with the public apparently to gauge potential market demand for the proposed pipeline.

After due consideration, Laclede ultimately determined that the proposed pipeline did not make operational or economic sense for either the Company or its customers. To

Laclede's knowledge, SLNGP as an entity had no experience operating an interstate pipeline. Moreover, existing pipeline transporters that currently deliver gas to Laclede today already provide the Company with access to the same gas supplies on the Rocky Mountains Express pipeline ("REX") that would be sourced through the Complainant's proposed pipeline, but without the proposed pipeline's incremental cost.[1] Accordingly, putting eleven miles of pipeline in the ground to provide Laclede with another indirect source of REX gas supplies was, as the Complainant noted, something that "does not fit Laclede's current gas supply needs."

In fact, it was for this very same reason, that Laclede had recently reviewed and rejected a similar proposal by another party that had significantly greater experience operating pipelines than SLNGP. Notably, no other potential customers appeared to express any interest in taking service off of the proposed pipeline during the open season meetings conducted by SLNGP and indeed none of Laclede's existing transportation customers have expressed an interest to Laclede of taking service through the proposed pipeline.

In an effort to make Laclede look unreasonable for turning down its proposed business proposition, the Complainant implies that all it sought from Laclede was a risk free interconnection agreement under which Laclede would not be required to bear any of costs of constructing the interconnect "in any way." (Complaint, p. 4, paragraphs 12 to 14). Such an assertion, however, is incomplete and highly misleading. First, in its discussion with Laclede, the Complainant repeatedly sought to have the Company not

[1]The Complainant's assertions regarding the supposed superiority of its pipeline project all rest on the assumption that its proposed interconnection with NGPL will provide Laclede with cheaper access to gas sourced off the REX pipeline. Laclede already has access to gas from REX through NGPL and CenterPoint -- Mississippi River Transmission at a more favorable rate and without the incremental cost of Complainant's proposal.

only sign an interconnection agreement but also make a substantial financial commitment to the proposed venture, either by entering into a transportation agreement or by taking an investment stake in the proposed pipeline. This is evidenced, among other things, by Complainant's admission at paragraph 10 of its Complaint that the purpose of the interconnection is to "sell transport services to Laclede . . . ". It is also indicated by the January 25, 2011 letter to Laclede in which the Complainant specifies the rates and charges that would be applicable to such transportation services, as well as Laclede's responsive letter of January 28, 2011 in which the Company indicated that it was not interested in either entering into an interconnection agreement or taking an investment stake in the proposed venture.

Second, paragraph 3 of the interconnection agreement, as set forth in Appendix C to the Complaint, specifically states that reimbursement to Laclede for any costs in excess of the preliminary estimate for the interconnection is subject to the "mutual agreement" of the parties – a caveat that exposes Laclede and its customers to additional costs. Even more significantly, paragraph 4 of the interconnection agreement states that once installed, Laclede shall "own, operate and maintain" its portion of the interconnect at its "sole cost and expense . . . " This means that for the next 50 or more years that the pipeline remained interconnected with Laclede's facilities, the Company and its customers would be financially responsible for monitoring the pressure and flow of the take point, regardless of the volume of gas passing through it, and for all the incremental costs associated with maintaining such a facility pursuant to applicable regulations. Among other things, this would include maintaining odorization and measurement equipment through weekly visits by Laclede's technicians, the installation of telemetering

equipment, periodic leak detection and cathodic protection surveys, and the potential installation and maintenance of security cameras or other safety devices. Simply put, Laclede could see no justification for entering into an arrangement that would expose the Company and its customers to these additional costs for literally decades just so it could obtain duplicative access to gas supplies, but at a higher incremental cost.

Despite these shortcomings in its proposal, SLNGP proceeded on March 22, 2011, to file the instant Complaint against Laclede. Having failed to persuade Laclede to enter into business with it voluntarily, SLNGP now seeks to leverage the Commission's state regulatory authority in an attempt to persuade the Commission to order the Company to enter into a pipeline interconnection agreement with SLNGP and make whatever improvements to the Company's works and system may be necessary to permit SLNGP to connect to Laclede's local distribution system. SLNGP also seeks an order requiring an investigation as to why Laclede declined to enter into business with SLNGP.[2]

SLNGP cannot and should not obtain the relief it seeks through the complaint process. First, granting this relief would violate the longstanding legal principle upheld by this Commission that utility management has the legal right and discretion to make the fundamental business decisions regarding where the utility acquires the resources necessary to provide service. In fact, the Commission has explicitly applied this principle to situations involving a utility's selection of pipeline transport suppliers.

[2]SLNGP states at page 4 of its Complaint that Laclede has rebuffed every effort that SLNGP made to discuss and explain why Laclede had declined to enter into an interconnection agreement and that such actions were, in its experience, "unprecedented" for a local distribution company. In fact, Laclede met with SLNGP's principals on two occasions, gave its proposal due consideration, and for the reasons stated herein declined to enter into a business relationship. Accordingly, the only thing "unprecedented" about this situation are the tactics of an entity that believes suing someone and making false and disparaging remarks about them is an appropriate way to form a long-term business relationship.

Second, granting the relief requested by the Complainant would inevitably embroil the Commission in pre-approving decisions and activities relating to the provision of utility service – a policy direction that the Commission has, for good or ill, generally rejected as unsound and inappropriate in numerous other contexts. In fact, such action would, for all intents and purposes, make the Commission the final arbiter of business decisions, with the utility relegated to the mere role of making recommendations along side any existing or potential supplier with a special interest to advance and enough resources to hire a regulatory lawyer.

Third, even if the Commission entertained such a request for relief, it would be grossly premature and inappropriate to do so at this stage. As a proposed interstate pipeline, whether Complainant's pipeline is ultimately built is a matter for the Federal Energy Regulatory Commission ("FERC") to decide. Indeed, Complainant's actions appear to be an attempt to use Laclede's signature on an interconnection agreement, either voluntarily or by force through this complaint, to bolster the market support element of its Natural Gas Act Section 7(c) application to the FERC. Moreover, this is not a situation where a pipeline operator has already built the pipeline and is ready to turn a valve and deliver gas to an LDC as soon as an interconnection is made. To the contrary, for all of SLNGP's talk about the benefits of having Laclede ordered to enter into a pipeline interconnection agreement, the fact remains that there is presently NO pipeline to which Laclede could connect. Laclede has seen little more than some incorporation papers filed recently at the Missouri Secretary of State's office, a map or two of where a potential pipeline might be constructed, a website containing a few photos, maps and diagrams, and someone's loosely conceived idea of a project that might

or might not come to fruition at some point in the future. At bottom, the Commission and Laclede are actually being urged to commit, up-front, to a mere concept, undoubtedly so that SLNGP can give others the impression, despite the project's serious flaws, that the concept "has legs."[3] Moreover, the Complainant would have the Commission take such action without providing even the rudimentary kind of financial and operational information that the Commission's own rules would require to even consider an LDC's request for a certificate to serve a specific area. See 4 CSR 240-3.205. While it would be inappropriate for the Commission to interject itself into this matter at any stage, there is even less justification for giving its imprimatur to a highly speculative venture that is little more than a gleam in a promoter's eye.

Finally, there is no need for the gas supply "investigation" demanded by SLNGP, even if there was some merit to its assertions (which there is not), because the Commission has already designated its Staff to conduct the equivalent of such an investigation. Staff does so on an annual basis through its Actual Cost Adjustment ("ACA") audit process, in which it reviews a broad range of utility decisions for prudence. It would be exceedingly inefficient for the Commission to entertain the prudence of Laclede's gas supply decisions on a case-by-case basis through the complaint process. If the Commission decided to entertain this complaint, it would open the door to complaints by any party that failed to win Laclede's business, or even by parties that failed to win or even maintain a desired level of such business. This is precisely why, as the Commission itself has recognized, utility management retains the authority to make such business decisions, subject to a prudence audit where gas supply is involved. Based

[3]Because the Complainant included representations on its website (early on and without any authorization from Laclede) which implied that Laclede was already a willing partner in its proposed project, the Company's concerns over how an interconnection agreement could be mischaracterized are not unfounded.

on the foregoing, the Commission should dismiss the Complaint, deny the Request for Investigation and close this case.

II. MOTION TO DISMISS AND RESPONSE TO REQUEST FOR INVESTIGATION

1. While the Complainant attempts to cloak its request for relief as an effort to address alleged violations of various Commission rules and other legal requirements, what the Complainant really seeks is to have the Commission interject itself into Laclede's gas procurement process by ordering the Company to enter into a pipeline interconnection agreement with SLNGP and to make improvements to the Company's works and system as may be necessary to permit SLNGP to connect to Laclede's local distribution system. See Complaint, p. 7, Paragraph C of Request for Relief. As discussed below, the Commission already has a fully functioning ACA process during which the prudence and propriety of Laclede's procurement decisions – including claims that such decisions unreasonably favor Laclede's existing affiliated and non-affiliated transport suppliers – can be fully evaluated. Accordingly, there is absolutely no justification for initiating a separate and duplicative complaint proceeding to address the same matters.

A. The Complaint should be dismissed because granting the relief it requests would be flatly inconsistent with the long-standing legal principle that it is utility management, and not the Commission, which has the legal duty and right to make fundamental gas procurement decisions.

2. The real reason why the Complaint was filed is to force Laclede to enter into a long-term business relationship with a potential supplier that Laclede believes brings nothing of real value to its customers. Laclede respectfully submits that granting

such relief would violate the long-held legal principle that utility management, not the Commission, has the legal right and discretion to make the fundamental business decisions on where and from whom the utility will acquire the resources necessary to provide service.

3. It is well-established under Missouri law that the Commission's authority to regulate certain aspects of a public utility's operations and practices does not include the right to dictate the manner in which the company conducts its business. ***State ex rel. City of St. Joseph v. Public Service Commission***, 30 S.W.2d 8 (Mo. banc 1930). In that case, the City of St. Joseph, Missouri appealed an order of the Commission affixing the value of property of St. Joseph Water Company for ratemaking purposes and approving a schedule of rates. In rejecting the applicant's contention that the Commission should not have authorized an administrative charge imposed on the operating company by its parent company, the Missouri Supreme Court stated the following regarding the relative rights and duties of the utility and the Commission as it pertains to managing the business operations of the utility:

> The holding company's ownership of the property includes the right to control and manage it, subject, of course, to state regulation through the Public Service Commission, but it must be kept in mind that the Commission's authority to regulate does not include the right to dictate the manner in which the company should conduct its business. The company has the lawful right to manage its own affairs and to conduct its business in any way it may choose, provided that in doing so, it does not injuriously affect the public. The customers of a public utility have the right to demand efficient service at a reasonable rate, but they have no right to dictate the methods which the company must employ in the rendition of that service. It is of no concern of either the customers of the water company or the Commission, if the water company obtains necessary material, labor, supplies, etc., from the holding company so long as the quality and price of the service rendered by the water company are what the law says it should be.

Id. at 14.

4. The concept that the Commission is not empowered to manage the business activities of the utilities it regulates has also been recognized by the Commission itself in a context that is very similar to the one under consideration here. With the emergence of open access transportation at the federal level in the late 1980's and early 1990's, LDCs such as Laclede ultimately acquired the obligation to procure gas supplies from a wide variety of sources. In view of this development, the Commission opened up a docket to examine what revisions to its regulatory policies were necessary, including whether it should, or even could, assert greater control over how local distribution companies acquire such supplies. In determining that such involvement in the gas procurement function was not appropriate, the Commission stated that a "company's choice of the appropriate mix of gas to procure is a management decision and is properly left to the company." ***In the matter of developments in the transportation of natural gas and their relevance to the regulation of natural gas corporations in Missouri***, 29 Mo.P.S.C. (N.S.) 137, 143 (1987). The same considerations that led the Commission to determine more than twenty years ago that it should not even attempt to exercise control over how management acquires physical gas supplies are directly pertinent to decisions regarding what mix of pipeline transportation suppliers an LDC should have.

5. In short, the Commission's powers are "purely regulatory in nature." ***State ex rel. Harline v. Public Service Commission,*** 343 S.W.2d 177, 181 (Mo.App., W.D. 1960). It does not have the "authority to take over the general management of any utility***." State ex rel. Laclede Gas Company v. P.S.C.***, 600 S.W.2d 222, 228 (1980). The Harline court was emphatic concerning this principle:

> The utility's ownership of its business and property includes the right to control and management, subject, necessarily to state regulation through the Public Service Commission. The powers of regulation delegated to the Commission are comprehensive and extend to every conceivable source of corporate malfeasance. Those powers do not, however, clothe the Commission with the general power of management incident to ownership. The utility retains the lawful right to manage its affairs and conduct its business as it may choose, as long as it performs its legal duty, complies with lawful regulation and does no harm to the public welfare. *Id.*

6. The ultimate hazard for the Commission from pursuing a contrary approach is readily apparent. If the Commission were to purport to exercise a veto power over the business practices of the company it regulates, it would be bound in subsequent rate and ACA cases by the decisions it made about those same business and management practices. This conundrum is one that the Commission has already confronted. In previous legal proceedings, the Commission stated to the Southern District Court of Appeals that it would be a conflict of interest for the Commission to assume the dual role of manager and regulator. According to the Commission, a circuit court order appointing the Commission as receiver for a sewer company would put the Commission "in the conflicting position of regulator and regulated." ***State ex rel. Public Service Commission v. Bonacker***, 906 S.W.2d 896, 899 (Mo.App. 1995).

7. That is precisely the type of conflict, however, that the Complainant is seeking to create with its request that the Commission, not Laclede, determine whether to spend the money to effectuate the interconnection and subsequent service. It would be the Commission, and not Laclede, determining what level of assurances are required to ensure that Laclede would ultimately be compensated for such costs. It would be the Commission, not Laclede, determining what operational and safety requirements, liability and indemnification provisions and other specific elements would need to be included in

a final interconnection agreement. And it would be the Commission that would not only be conflicted in exercising its primary regulatory function to review the prudence and propriety of these items in subsequent cases, but that would also have to live with any adverse consequences associated with a potential deficiency in such terms since it would have been the Commission, and not Laclede, that decided what those terms should be.

8. This confusion of roles, with all the potential conflict it creates, illustrates why Missouri courts and the Commission have consistently recognized and honored this long-standing legal principle in their approach to matters of the kind raised by the instant Complaint. Laclede would respectfully submit that there is nothing in the Complaint that would justify, let alone warrant, the kind of radical departure from this principle that is implicit in the Complainant's request for relief. The Commission should decline to venture down the road requested by the Complainant.

B. The Complaint should be dismissed because granting the relief it requests would be flatly inconsistent with the Commission's general policy against giving advance approval of decisions and activities relating to the provision of utility services

9. In seeking to have the Commission not only approve, but affirmatively dictate, the establishment of a long-term interconnection agreement between Laclede and the Complainant, the Complaint also runs afoul of the Commission's long-standing policy against pre-approval of routine utility procurement decisions. Laclede recognizes that there are certain circumstances where advance approval of utility decisions or activities may be appropriate and even necessary. The Commission's advance determination of decisional prudence in the KCPL Iatan II case and its advance approval

of utility activities in accordance with an express grant of legislative authority are a few examples of where pre-approval can be appropriate. However, for the most part, the Commission itself has repeatedly expressed a clear preference for reviewing the propriety, prudence and reasonableness of specific utility procurement decisions and activities after the fact and an equally clear disinclination to pre-approve them in advance. The policy considerations underlying the Commission's aversion to routine preapproval of such decisions and actions was articulated at some length in ***Re Kansas City Power and Light Company***, Case No. EO-92-250 (August 22, 1992) in which the Commission rejected a request to pre-approve the utility's decisions relating to disposition of emission allowances created by the Clean Air Act Amendments of 1990 (CAAA). As the Commission noted:

> The Commission, though, also recognizes the problems inherent in preapproval. As noted by the NRRI report, there are four problems with preapproval or a periodic review process of a utility's decisions. The first problem is the potential for the shifting of technology and demand risks from the shareholders to the ratepayers. The second problem is the significant resources preapproval or periodic approval would require of the Commission. The third problem, as stated earlier, is, preapproval is likely to lock the utility into the plan approved by the Commission. The fourth problem is that, once approved, a utility may have less incentive to closely scrutinize its costs.

10. Ordering Laclede to enter into an interconnection agreement with SLNGP, as the Complainant requests, would propel the Commission headlong into the very problems it has sought to avoid through its general policy against preapproval of utility decisions. Specifically, it would shift from the Company to ratepayers any risks

associated with potential deficiencies in the terms of the interconnection agreement and lock Laclede into a long-term business relationship with an entity that the Company does not believe is offering anything of value to Laclede's customers, and without regard to what the Company's own procurement plans might be. It would also put the Commission, rather than Laclede, in the role of scrutinizing the appropriate costs for the interconnection and, by virtue of its new-found role as the final arbiter of what constitutes a reasonable interconnection agreement, require that the Commission find and devote more resources to carry out these added responsibilities.

11. These challenges pale in comparison, however, to the problems that the Commission would encounter by opening the door to such complaints. If the Complainant can entice the Commission to order Laclede to choose a particular service or good based on the conclusory assertion that such a selection is necessary to ensure that Laclede's service is "safe and adequate" or that customers are receiving the proper level of benefits, or that Laclede is not unduly favoring existing suppliers, then where does it end? Can Southern Star, MRT, MoGas or some entirely new pipeline entity come before the Commission and make similar claims? How about businesses that have a new kind of pipeline valve to sell? Or companies that believe they offer the latest and greatest line of leak detection equipment? Or automotive companies selling utility trucks and manufacturers selling construction equipment? All of these entities could make the same kind of generalized assertions that the Complainant has made. And any serious effort by the Commission to entertain them in a responsible and prudent manner would require a massive increase in Staff resources as well as acceptance of the proposition that, for good or ill, ratepayers are now on the hook for whatever the Commission pre-approved.

12. Fortunately, the legal principles addressing who should make these decisions in the first instance, as well as the Commission's general policy against routine pre-approval of utility procurement decisions, can be invoked to avoid such an untenable outcome. There is simply no good reason why the Commission should even consider exposing itself to the incredibly vexing challenges that would arise from being perceived as the last, best hope for every disappointed business suitor that just cannot understand why utility management decided not to use its product or service. For all of these reasons, the Commission should conclude, as it has in the past, that it has neither the resources, the inclination, nor the legal authority to assume these fundamental duties that have traditionally and properly been reserved for utility management, and dismiss this Complaint.

C. The Complaint should be dismissed because, even if it were properly lodged with this Commission, the request for relief is grossly premature and unsupported by the facts pled in the Complaint.

13. Even if the Commission was inclined to entertain the Complainant's request for relief, it would be grossly premature and inappropriate to do so at this stage. As previously noted, this is not a situation where a pipeline operator is ready to turn a valve and deliver gas to an LDC as soon as an interconnection is made. To the contrary, for all of SLNGP's talk about the benefits of having Laclede ordered to enter into a pipeline interconnection agreement, the fact remains that there is presently NO pipeline to which Laclede could connect. Moreover, the information that the Complainant has submitted in support of its requested relief is so incomplete and preliminary that it does not even warrant consideration by the Commission.

14. Because the Complainant has proposed to construct an interstate pipeline, it is the FERC that would ultimately determine whether SLNGP has met the operational and financial requirements for a pipeline to be built under Section 7(c) of the Natural Gas Act.[4] Before that process has even begun, however, the Complainant would have this Commission order Laclede to become an integral part of the Complainant's venture without the benefit of any of the information that FERC would presumably demand to do its own assessment of whether such project makes any sense. The inappropriateness of engaging in such a speculative and unformed exercise can be readily determined by the information requirement that the Commission itself would insist upon if it were to engage in the analogous task of evaluating a Missouri LDC's request to serve a new area. As Commission Rule 4 CSR 240-3.205(1)(A)5 states, an LDC that wishes to provide service in a new service area must submit a feasibility study that, among other things, details the estimated cost of construction of the system, plans for financing, proposed rates and charges, and an estimate of the customers, revenues, and expenses during the first three years of service. Obviously, this requirement is designed to give the Commission the critical information it needs to determine whether the utility's proposal to provide service in the new area is economically feasible and operationally sound. In addition to the feasibility study, the LDC must also submit certified copies of any required governmental approvals. 4 CSR 240-3.205(1)(D). Presumably, this requirement exists so the Commission will not squander its regulatory resources considering proposals that may

[4]As previously discussed, regardless of any approvals sought by the Complainant at FERC or elsewhere, it is entirely within Laclede's discretion to determine whether to enter into a long-term business relationship with the Complainant, subject only to the Commission's after the fact prudence review of Laclede's overall procurement activities.

never come to fruition because the required governmental approvals could not be obtained.

15. The information provided by the Complainant does not even begin to approach the level of detail that the Commission has concluded is critical for it to determine the feasibility of ventures that, like the proposed pipeline, will have consequences for decades to come. Instead of providing certified copies of the federal, state and local governmental approvals required for its project, for example, the Complainant only states that it has "identified" the permits that would be necessary and commenced "discussions" with the appropriate agencies. (Complaint, p. 3, paragraph 11.c.) Instead of providing the kind of detailed feasibility study that an LDC would have to provide, the Complainant only states that it has "developed a capital budget for the entire project" based on "preliminary engineering and construction costs estimating." Even that is not provided, however, as part of the Complaint. Nor has the Complainant provided any information relating to its financing plans for the project, identified any customers who would be served by the proposed pipeline, provided an estimate of the revenues that could be generated by such customers, or provided a single data point on the expenses associated with operating the pipeline.

16. In short, to the extent the Commission were to consider whether to order Laclede to interconnect with Complainant's proposed pipeline, the Complainant has failed to provide even the most rudimentary kind of information that the Commission would insist be provided by a utility subject to its regulatory jurisdiction before it would even open a docket to consider a request to serve a new area. Given this failure, any consideration of the Complainant's request is grossly premature. There is simply no

reason why the Commission should squander its own resources and those of Laclede's on an unproductive effort to consider the kind of speculative and wholly unsupported proposal that the Commission would turn aside immediately if it were submitted by a utility it regulated. While Laclede believes there are sound reasons for the Commission to decline consideration of the Complainant's request no matter how evolved it may be, it should at a minimum dismiss the Complaint until such time as the Complainant can provide the required regulatory approvals and feasibility study that would demonstrate that the project is anything more than a fanciful notion that may or may not go anywhere.[5]

D. <u>The Complaint should be dismissed and the Request for Investigation denied because the Complainant's allegations regarding whether Laclede's decision not to enter into an interconnection agreement was imprudent or in violation of any legal requirement are unsupported and, to the extent they are addressed at all, can and should be addressed in the applicable Actual Cost Adjustment proceeding.</u>

17. As previously noted, in an attempt to disguise its Complaint and Request for Investigation as something other than a naked attempt to leverage the Commission's regulatory power in furtherance of its own business interests, the Complainant alleges that Laclede has violated the law by turning down the Complainant's offer. Specifically, at pages 5 to 6 of its Complaint, SLNGP alleges that Laclede's refusal to enter into an interconnection agreement is unlawful because it provides a financial advantage to its marketing affiliate in violation of the Commission's affiliate transactions rules, fails to guard against upward price spikes in violation of the Commission's hedging rule (4 CSR

[5] If SLNGP obtains its regulatory approvals, and there is a change in circumstances that warrants reconsideration, Laclede would be willing to consider the feasibility of an interconnection with SLNGP's proposed facilities.

240-40.018), results in less safe and inadequate service in violation of Section 393.130.1, gives an unjust and undue preference to Laclede's existing affiliated and unaffiliated transport suppliers in violation of 393.130.3, is unjust and unreasonable, and unjustly discriminatory in violation of Section 393.140(5) and violates the requirement in 393.140(11) to regularly and uniformly extend contracts.

18. As set forth below, Laclede denies each and every one of these conclusory, completely unsupported and, in some cases, false assertions. Even in the absence of such denials, however, such assertions do not provide any basis for proceeding with a Complaint for three reasons: First, the Complainant has done nothing more than list a series of rules and statutes and then baldly claim that Laclede has violated them, without providing any information that would explain exactly how or in what way that violation has occurred. For example, it has not explained how Laclede's refusal to enter into an interconnection agreement with an entity that has neither pipeline facilities nor a FERC authorization to build pipeline facilities benefits Laclede's affiliated marketer that owns no pipeline facilities. Nor has it explained how Laclede's failure to enter into an interconnection agreement with a hypothetical pipeline that would do nothing more than provide duplicative access to the same sources of gas supply to which Laclede already has access is inconsistent with any obligations Laclede may have to hedge the prices on its gas supplies under 4 CSR 240-40.018, or constitutes the kind of undue discrimination or preference addressed by the other statutory provisions cited by the Complainant.

19. Second, the Complainant does not explain how or in what way the rules it cites in rote apply to transactions done between Laclede and pipeline transportation

suppliers that wish to do business with Laclede. Laclede recognizes that it has an obligation to treat all of its customers in a non-discriminatory and non-preferential manner and to generally extend the same terms of service to all customers. Laclede is also aware of its obligations under the affiliate transactions rules to treat affiliated and unaffiliated marketers in a non-discriminatory manner. Laclede does not believe, however, that these statutory protections for distribution customers mean that Laclede has to also extend uniform contracts on identical terms to all of its various pipeline transport suppliers and, by extension, to every other supplier of a good or service with which the Company does business. Nor can they be construed to provide every supplier with a cause of action at the Commission whenever someone believes that Laclede has negotiated an arrangement with one supplier that is different from or more or less favorable than an arrangement negotiated with another supplier. Again, any suggestion to the contrary would place the Commission in the untenable position of having to adjudicate all business disputes between a utility and its suppliers – a role that the Commission has neither the resources nor the legal authority to fulfill.

20. Third, and perhaps most significantly, it would be inappropriate in any event to conduct the kind of separate "investigation" demanded by SLNGP, even if there was some merit to its assertions (which there is not). Regardless of the specific nature of the various violations of law alleged by SLNGP in support of its Complaint and Request for Investigation, they are all bottomed on the proposition that Laclede's refusal to interconnect with SLNGP will have a detrimental impact on Laclede's customers, either in the form of higher or less stable gas prices. Those are the exact kind of issues, however, that the Commission has already designated its Staff to investigate and make

recommendations on as part of the Staff's annual ACA audit, in which it reviews a broad range of utility decisions for prudence. It would be exceedingly inefficient for the Commission to entertain the prudence of Laclede's gas supply decisions on a case-by-case basis through the complaint process. If the Commission decided to entertain this complaint, it would open the door to complaints by any party that failed to win Laclede's business, or even by parties that failed to win or maintain a desired level of such business. This is precisely why utility management is granted the authority to make business decisions, subject to a prudence audit where gas supply is involved. Based on the foregoing, the Commission should dismiss the Complaint, deny the Request for Investigation and close this case.

III. ANSWER

Parties

1. Laclede is without information or belief to respond to the customer's allegations in paragraph 1, and on that basis denies them.

2. Laclede is without information or belief to respond to the customer's allegations in paragraph 2.

3. Laclede is without information or belief to respond to the customer's allegations in paragraph 3, and on that basis denies them.

4. Laclede is without information or belief to respond to the customer's allegations in paragraph 4, and on that basis denies them.

5. Laclede admits the allegations in paragraph 5.

General Allegations

6. Laclede admits the allegations in paragraph 6.

7. Laclede is without information or belief to respond to the customer's allegations in paragraph 7. However, Laclede's understanding of the proposed route is consistent with the allegations in paragraph 7.

8. Laclede is without information or belief to respond to the customer's allegations in paragraph 8, and on that basis denies them.

9. Laclede is without information or belief to respond to the customer's allegations in paragraph 9. However, Laclede's understanding of Complainant's plan is consistent with the allegations in paragraph 9.

10. Laclede is without information or belief to respond to the customer's allegations in paragraph 10. However, Laclede's understanding of Complainant's plan is consistent with the allegations in paragraph 10.

11. Laclede is without information or belief to respond to the customer's allegations in paragraph 11, and on that basis denies them.

12. Laclede is without information or belief to respond to the customer's allegations in paragraph 12, that the purported agents of Complainant were authorized, and on that basis denies them. Laclede admits that it participated in at least one meeting with SLNGP representatives, and that such representatives solicited Laclede to enter into an interconnection agreement and a transportation agreement, and to invest in Complainant's enterprise.

13. Laclede denies the allegation in paragraph 13.

14. Laclede is without information or belief to respond to the customer's allegations in paragraph 14, and on that basis denies them.

15. Laclede denies the allegation in paragraph 15 that Complainant's construction offers numerous advantages to Laclede and its customers. Laclede admits that it declined to enter into an agreement with SLNGP for interconnection or investment on the terms discussed by SLNGP.

16. Laclede denies the allegation in paragraph 16.

17. Laclede denies the allegation in paragraph 17.

18. Laclede denies the allegation in paragraph 18. In fact, Laclede avers that Laclede Energy Resources, Inc. is not even a transportation provider, much less an exclusive provider to Laclede. Such a fundamental error raises serious doubts as to the competence of the Complainant.

19. Laclede denies the allegations in paragraph 19.

20. Laclede denies the allegations in paragraph 20.

21. Laclede denies the allegation in paragraph 21.

Violations

22. Laclede states that paragraph 22 offers legal conclusions to which no response is required. To the extent that any answer is required, Laclede denies the allegations of paragraph 22.

23. Laclede states that paragraph 23 offers legal conclusions to which no response is required. To the extent that any answer is required, Laclede denies the allegations of paragraph 23.

Jurisdiction

24. Laclede states that paragraph 24 offers legal conclusions to which no response is required. To the extent that any answer is required, Laclede admits the allegations of paragraph 24.

25. Laclede states that paragraph 25 offers legal conclusions to which no response is required. To the extent that any answer is required, Laclede denies the allegations of paragraph 25.

WHEREFORE, Respondent Laclede Gas Company respectfully requests that the Commission dismiss the Complaint filed by St. Louis Natural Gas Pipeline LLC on March 22, 2011, deny the Request for Investigation filed by St. Louis Natural Gas Pipeline LLC on March 22, 2011 or accept Laclede's answer thereto.

Respectfully submitted,

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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing Answer was served on the Staff and on the Office of Public Counsel on this 21st day of April, 2011 by United States mail, hand-delivery, email, or facsimile.

/s/ Gerry Lynch