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December 23, 1999

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

FILED
DEC 23 1999
Missouri Public Service Commission

Re: Case No. GR-99-315

Dear Judge Roberts:

Enclosed for filing please find the original and fourteen copies of an Application for Rehearing and Motion for Reconsideration.

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

Thank you.

Very truly yours,

NEWMAN, COMLEY & RUTH P.C.

By: Mark W. Comley
Mark W. Comley

MWC:ab
Enclosure
cc: Office of Public Counsel
Michael C. Pendergast
Ronald K. Evans
John D. Landwehr
Diana M. Schmidt
Richard Perkins

FILED

DEC 23 1999

Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's Tariff)
to Revise Natural Gas Rate Schedules) Case No. GR-99-315

APPLICATION FOR REHEARING AND MOTION FOR RECONSIDERATION

COMES NOW Laclede Gas Company ("Laclede" or "Company"), and for its Application for Rehearing and Motion for Reconsideration pursuant to §386.500 RSMo. (1994), states as follows:

1. On December 14, 1999, the Commission issued its Report and Order in the above-referenced case in which it decided a number of contested issues that had been raised in this proceeding. Laclede appreciates the fact that the Commission adopted Laclede's positions with respect to several of these issues, as well as the efforts of the Commission and the Commission Staff to process the Company's compliance tariffs on an expeditious basis. Laclede also recognizes and respects the Commission's right to dispose of other issues, based on the law and the evidence, in a manner different from that proposed by the Company.

2. Laclede respectfully submits, however, that in at least one critical respect the Commission's Report and Order produces a result that is unjust and unreasonable, arbitrary and capricious, and contrary to Missouri law. As discussed below, this deficiency relates to the Commission's decision to adopt, for the first time, a new and radically different method for determining the net salvage component of Laclede's depreciation rates – a method that departs substantially from that used by virtually every other regulatory commission and, that, in doing so, defeats the very purpose for setting depreciation rates: namely, to ensure that the costs associated with capital assets are equitably recovered over time from those customers who use them. For the

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reasons stated herein, Laclede respectfully requests that the Commission grant rehearing or reconsider its decision with respect to this issue.

3. The method adopted by the Commission for addressing net salvage in Laclede's depreciation rates represents a radical and significant departure from the conventional depreciation calculation utilized by this Commission and virtually every other similar regulatory body in the country. This treatment, which the Staff devised, is completely contrary to the underpinnings of depreciation theory and enjoys no support from any recognized depreciation authority.[1] Moreover, if adopted, this flawed method will deprive not just Laclede, but all also other Missouri gas, electric, water and sewer utilities, of the timely recovery of literally tens of millions of dollars of their investment in utility plant. This treatment of net salvage is so utterly lacking in foundation, and would have such a far-reaching and detrimental impact on the regulated community in Missouri, that Laclede urges the Commission in the strongest possible terms to reconsider its decision . At a bare minimum, the Commission should take the time to carefully reconsider the testimony, cross-examination and briefs submitted by the parties before it reaches a final decision to reverse its long-standing and well-thought-out policy on this critical issue.

4. The heart of the problem with the Staff's position on net salvage is that it is inconsistent with the fundamental goal of depreciation — to allocate all of the depreciable costs of a capital asset over the entire useful life of the asset. The concept is that over the years, each generation of utility customers should pay only for the portion of the capital asset that is consumed in the course of providing service to them. In other words, utility customers should not be required, as a routine practice, to pay the full cost of a long-lived capital asset simply because they happen to

[1] Indeed, the lack of support in the record for the Staff's position is truly astounding. Staff Witness Paul Adam was unable to name a single depreciation professional, outside of other members of the Staff, that endorsed Staff's position on this issue. (Tr. 866-867).

be customers in the year that the capital asset is placed in service, nor should they be required to pay the full cost of removal of a long-lived capital asset simply because they happen to be customers in the year the asset is removed from service.

5. In order to establish depreciation rates that accomplish this goal, it is necessary for the Commission to make informed estimates about the Company's capital assets. The Commission must estimate the service life of each category of capital assets in order to calculate the amount of cost to assign to each year of the service life. In addition, it must estimate the net salvage cost[2] that will be incurred in the future when the capital assets currently on the Company's books are retired.

6. Under the Staff's method, depreciation rates would be calculated using the net salvage costs that are currently being experienced by the Company, rather than including those that can reasonably be expected to be incurred in the future, when the assets that are currently in service are retired. This method is not only contrary to well-established depreciation accounting theory,[3] but it also defies common sense. For example, based on the Staff's position, if a category of plant happens to have zero retirements in the test year, there would be no allowance for net salvage costs for that category of plant even though there would clearly be removal costs associated with plant items that are currently in service. (Tr. 862). Similarly, if a category of plant is significantly growing or shrinking, the net salvage cost incorporated into the depreciation rate would be much higher or lower than (and in any event completely unrelated to) the amount of net salvage cost the utility would be reasonably expected to incur for that plant. This treatment of net salvage costs eliminates any opportunity for the Commission to achieve intergenerational equity for customers in

[2] As Laclede pointed out in its initial brief in this proceeding, the net salvage cost of an asset equals the salvage value minus the cost of removal. In the case of most local distribution company assets, net salvage is a negative number.

[3] The uncontroverted evidence in this proceeding also indicates that the Staff's proposal violates Generally Accepted Accounting Principles (GAAP). (Exh. 26, p. 13).

its treatment of the costs of a utility's capital assets which are currently being used to provide service to customers.

7. Not surprisingly, a method that deviates so radically from long-standing and almost universally-accepted regulatory principles is also flatly inconsistent with the legal requirements governing the Commission's ratemaking powers. The failure to permit a timely recovery in rates of a legitimate expense item such as the salvage costs associated with utility plant currently being used to provide service arbitrarily diminishes the Company's cash flow and, in the process, deprives it of its property in violation of Article 1, Section 26 of the Missouri Constitution and the Fifth and Fourteenth Amendments of the United States Constitution. Similarly, the approval of a method that arbitrarily and routinely requires future customers to pay for the cost of an asset that is being used by current customers violates §393.130 (2) RSMo. (1994) in that such action grants an undue or unreasonable preference or advantage to current customers whose rates will be unreasonably low in comparison to future customers whose rates will be unreasonably high. Moreover, the adoption of a method that utilizes estimates to determine the service life component of a depreciation rate, and then inexplicably abandons and ignores the use of any estimates to determine the net salvage value component of that same depreciation rate, directly violates the Commission's duty to consider all relevant factors when setting rates. *State ex rel. Missouri Water Company v. Public Service Commission*, 308 S.W.2d 704 at 718-719 (Mo. 1957); *State ex rel. Missouri Public Service Company v. Fraas*, 627 S.W.2d 882 at 886 (Mo. App. 1981).

8. The Staff's response to these criticisms was to assert that the utility is always free to file a new rate case, if and when the net salvage costs actually experienced diverge significantly from those underlying its depreciation rates. But if the utility has to wait until the net salvage costs are actually incurred, the opportunity for achieving an equitable distribution of costs among customers will have long since passed. Consider the effect of the Staff's position on a category of plant with

an average service life of 70 years. If the utility has to wait nearly 70 years to begin collecting net salvage costs associated with that category of plant, the opportunity to collect a fair share of those costs from the customers who received service in the early years of the plant's life will obviously be gone. Moreover, as a matter of policy, the Commission should not want to create an environment where frequent rate cases are required simply to reflect the Company's predictable incurrence of net salvage costs.

9. Perhaps part of the allure of the Staff's position is that Staff advocates the use of net salvage costs that have actually been incurred, whereas the conventional depreciation formula uses average net salvage costs that include costs expected in the future. In a jurisdiction that utilizes an historic test year, such as Missouri, when addressing other elements of a utility's cost of service, it is often appropriate to use costs that the utility has recently experienced as a proxy for costs it will incur in the near future. But the recovery of the long-term cost of capital assets through depreciation rates is not similar to the recovery of any other expense items. Simply utilizing current experience would mean that the current customers would be required to pay the full cost of any plant placed in service during the test year, as well as the net salvage cost experienced in the test year. This result would obviously completely undermine the goal of achieving intergenerational equity, and the Commission would never consider approving such a result.

10. But what the Staff has proposed in this case is equally contrary to accepted depreciation theory and equally detrimental to the interests of utilities and their customers. Staff has selected one element of the depreciation calculation, net salvage, and treated it in a manner that will ensure that there can be no intergenerational equity among Laclede's customers, at least with respect to this significant capital asset cost. And Staff has apparently proposed this step simply because it will reduce Laclede's rates in the short run, without considering the long-term detriment to Laclede, its customers, and the regulated community in Missouri as a whole.

11. In addition to being illogical and contrary to accepted depreciation principles, the Staff's position on net salvage is completely unsupported by any evidence presented in this proceeding. As was previously mentioned, Staff witness Adam was unable to cite any depreciation expert, outside of the Staff, or any depreciation treatise that supported his proposed treatment of net salvage. The Staff provided no evidence explaining how its novel proposal would satisfy the goal of facilitating proper cost allocation or intergenerational equity among Laclede's customers. Laclede, on the other hand, provided exhaustive evidence of the universal support among depreciation professionals for the Commission's traditional treatment of net salvage. Laclede also submitted extensive testimony from not only its internal depreciation witness, but also from Dr. Ronald E. White, a nationally recognized expert in the field, explaining the logic supporting the traditional treatment of net salvage.

12. In the Commission's brief findings of fact related to this issue, the Commission did not address any of the evidence or arguments submitted by Laclede. The Commission simply concluded that Laclede "has failed to meet its burden of proof with respect to this issue"[4] and that "Staff's calculation will allow Laclede to recover the amounts it is currently spending for net salvage without overrecovering from its ratepayers, which is a just and reasonable result." (Report and Order, p. 33.) Such conclusory statements do not explain how the Staff's position can be reconciled with the goals of depreciation, nor do they address any aspect of the evidence presented in this case by the parties. As a result, the Commission's Report and Order does not contain, as required by law, findings that are "sufficiently definite and certain under the circumstances of the case to enable the court to review the decision intelligently and ascertain if the facts afford a reasonable basis for the

[4] Laclede does not believe it bears a burden of proof with respect to the net salvage issue. The Commission has historically treated net salvage cost in compliance with traditional depreciation accounting principles. The Staff, as the proponent of a significant deviation from the Commission's historic treatment of these costs, bears the burden of proof with respect to this issue.

order without resorting to the evidence." *State ex rel. U.S. Water/Lexington v. Missouri Public Service Commission*, 795 S.W.2d 593, 594 (Mo.App. 1990). *See also Office of the Public Counsel v. Missouri Public Service Commission,* 782 S.W.2d 822, 825 (Mo. App. 1990), and 536.090 RSMo. (1994). Because the Commission's decision with respect to the net salvage issue is arbitrary, capricious and unreasonable, and not supported by competent and substantial evidence or adequate findings of fact, the Commission must grant rehearing of and/or reconsider its decision on this issue.

WHEREFORE, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission grant rehearing or reconsideration for the reasons set forth herein.

Respectfully submitted,

Michael C. Pendergast #31763
Thomas M. Byrne #33340
Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
(314) 342-0532 Phone
(314) 421-1979 Fax

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent via facsimile and by U.S. Mail, postage prepaid, on this 23rd day of December, 1999, to:

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7730 Carondelet, Suite 200
St. Louis, MO 63105

Mark W. Comley

Laclede Gas Company

Listing and Designation of Revised Tariff Sheets
Issue Date: December 21, 1999
Effective Date: January 22, 2000

Applicable To All Divisions Of Laclede Gas Company

P.S.C. MO. No. 5 Consolidated, Third Revised Sheet No.	1-a
Cancelling P.S.C. MO. No. 5 Consolidated, Second Revised Sheet No.	1-a
P.S.C. MO. No. 5 Consolidated, Twelfth Revised Sheet No.	2
Cancelling P.S.C. MO. No. 5 Consolidated, Eleventh Revised Sheet No.	2
P.S.C. MO. No. 5 Consolidated, Eighth Revised Sheet No.	3
Cancelling P.S.C. MO. No. 5 Consolidated, Seventh Revised Sheet No.	3
P.S.C. MO. No. 5 Consolidated, Eleventh Revised Sheet No.	4
Cancelling P.S.C. MO. No. 5 Consolidated, Tenth Revised Sheet No.	4
P.S.C. MO. No. 5 Consolidated, Original Sheet No.	4-a
Cancelling All Previous Schedules	
P.S.C. MO. No. 5 Consolidated, Twelfth Revised Sheet No.	5
Cancelling P.S.C. MO. No. 5 Consolidated, Eleventh Revised Sheet No.	5
P.S.C. MO. No. 5 Consolidated, Eleventh Revised Sheet No.	7
Cancelling P.S.C. MO. No. 5 Consolidated, Tenth Revised Sheet No.	7
P.S.C. MO. No. 5 Consolidated, Thirteenth Revised Sheet No.	8
Cancelling P.S.C. MO. No. 5 Consolidated, Twelfth Revised Sheet No.	8
P.S.C. MO. No. 5 Consolidated, Eleventh Revised Sheet No.	9
Cancelling P.S.C. MO. No. 5 Consolidated, Tenth Revised Sheet No.	9
P.S.C. MO. No. 5 Consolidated, Fifth Revised Sheet No.	11
Cancelling P.S.C. MO. No. 5 Consolidated, Fourth Revised Sheet No.	11
P.S.C. MO. No. 5 Consolidated, Sixth Revised Sheet No.	15
Cancelling P.S.C. MO. No. 5 Consolidated, Fifth Revised Sheet No.	15
P.S.C. MO. No. 5 Consolidated, Ninth Revised Sheet No.	21
Cancelling P.S.C. MO. No. 5 Consolidated, Eighth Revised Sheet No.	21

P.S.C. MO. No. 5 Consolidated, First Revised Sheet No.	28-d
Cancelling P.S.C. MO. No. 5 Consolidated, Original Sheet No.	28-d
P.S.C. MO. No. 5 Consolidated, One Hundred and Seventy-Ninth Revised Sheet No.	29
Cancelling P.S.C. MO. No. 5 Consolidated, One Hundred and Seventy-Eighth Revised Sheet No.	29
P.S.C. MO. No. 5 Consolidated, Fourth Revised Sheet No.	30
Cancelling P.S.C. MO. No. 5 Consolidated, Third Revised Sheet No.	30
P.S.C. MO. No. 5 Consolidated, Second Revised Sheet No.	32
Cancelling P.S.C. MO. No. 5 Consolidated, Second Revised Sheet No.	32
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P.S.C. MO. No. 5 Consolidated, First Revised Sheet No.	37
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P.S.C. MO. No. 5 Consolidated, First Revised Sheet No.	38
Cancelling P.S.C. MO. No. 5 Consolidated, Original Sheet No.	38
P.S.C. MO. No. 5 Consolidated, First Revised Sheet No.	39
Cancelling P.S.C. MO. No. 5 Consolidated, Original Sheet No.	39
P.S.C. MO. No. 5 Consolidated, Fourth Revised Sheet No.	40
Cancelling P.S.C. MO. No. 5 Consolidated, Third Revised Sheet No.	40

Laclede Gas Company — For — Refer to Sheet No. 1
Name of Issuing Corporation or Municipality — Community, Town or City

SCHEDULE OF RATES

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ISSUED BY R. L. Sherwin, Assistant Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer — Title — Address

P.S.C. MO. No. 5 Consolidated, Twelfth Revised Sheet No. 2
CANCELLING P.S.C. MO. No. 5 Consolidated, Eleventh Revised Sheet No. 2

Laclede Gas Company — For — Refer to Sheet No. 1

Name of Issuing Corporation or Municipality — Community, Town or City

SCHEDULE OF RATES

RESIDENTIAL GENERAL SERVICE (RG)

Availability – This rate schedule is available for all gas service rendered by the Company to residential customers, including space heating service.

Rate – The monthly charge shall consist of a customer charge plus a charge for gas used as set forth below:

Customer Charge – per month	$12.00	
	Summer - Billing Months of May-October	Winter – Billing Months of November-April
Charge for Gas Used – per therm		
For the first 65 therms used per month	13.233¢	15.818¢
For all therms used in excess of 65 therms	9.978¢	12.562¢

Minimum Monthly Charge – The Customer Charge.

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29.

Late Payment Charge – Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

DATE OF ISSUE December 21, 1999 (Month Day Year) — DATE EFFECTIVE January 22, 2000 (Month Day Year)

ISSUED BY R.L. Sherwin, Assistant Vice President, 720 Olive St., St. Louis, MO 63101

Name of Officer — Title — Address

P.S.C. MO. No. 5 Consolidated, Eighth Revised Sheet No. 3
CANCELLING P.S.C. MO. No. 5 Consolidated, Seventh Revised Sheet No. 3

Laclede Gas Company — For — Refer to Sheet No. 1
Name of Issuing Corporation or Municipality — Community, Town or City

SCHEDULE OF RATES

COMMERCIAL & INDUSTRIAL GENERAL SERVICE (CG)

Availability – This rate schedule is available for all gas service rendered by the Company to commercial or industrial customers, including space heating service.

Rate – The monthly charge shall consist of a customer charge plus a charge for gas used as set forth below:

Customer Charge – per month	$15.00	
	Summer - Billing Months of May-October	Winter – Billing Months of November-April
Charge for Gas Used – per therm		
For the first 100 therms used per month	12.062¢	14.647¢
For all therms used in excess of 100 therms	9.778¢	12.362¢

Minimum Monthly Charge – The Customer Charge.

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29.

Late Payment Charge – Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

DATE OF ISSUE December 21, 1999 (Month Day Year) DATE EFFECTIVE January 22, 2000 (Month Day Year)

ISSUED BY R.L. Sherwin, Assistant Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer — Title — Address

Laclede Gas Company — For — Refer to Sheet No. 1

Name of Issuing Corporation or Municipality — Community, Town or City

SCHEDULE OF RATES

RESIDENTIAL SEASONAL AIR CONDITIONING SERVICE (RA)

Availability – This rate schedule is available for all gas service to residential air conditioning customers during the six consecutive billing months of May through October, provided that the quantity of gas used during such period for air conditioning purposes is at least twice the quantity of gas used for all other purposes during such period. All gas used by the customer for the balance of the year shall be billed under the Residential General Service rate.

Rate – The monthly charge shall consist of a customer charge plus a charge for gas used as set forth below:

Customer Charge – per month	$12.00
Charge For Gas Used – per therm	
For the first 65 therms used per month	13.233¢
For all therms used in excess of 65 therms	9.978¢

Minimum Monthly Charge – The Customer Charge.

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29.

Late Payment Charge – Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

DATE OF ISSUE December 21, 1999 (Month Day Year) — DATE EFFECTIVE January 22, 2000 (Month Day Year)

ISSUED BY R.L. Sherwin, Assistant Vice President, 720 Olive St., St. Louis, MO 63101

Name of Officer — Title — Address

Laclede Gas Company — For — Refer to Sheet No. 1
Name of Issuing Corporation or Municipality — Community, Town or City

SCHEDULE OF RATES

COMMERCIAL & INDUSTRIAL SEASONAL AIR CONDITIONING SERVICE (CA)

Availability – This rate schedule is available for all gas service to commercial and industrial air conditioning customers during the six consecutive billing months of May through October, provided that the quantity of gas used during such period for air conditioning purposes is at least twice the quantity of gas used for all other purposes during such period. All gas used by the customer for the balance of the year shall be billed under the Commercial and Industrial General Service rate.

Rate – The monthly charge shall consist of a customer charge plus a charge for gas used as set forth below:

Customer Charge – per month	$15.00
Charge For Gas Used – per therm	
For the first 100 therms used per month	12.062¢
For all therms used in excess of 100 therms	9.778¢

Minimum Monthly Charge – The Customer Charge.

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29.

Late Payment Charge – Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

DATE OF ISSUE December 21, 1999 (Month Day Year) DATE EFFECTIVE January 22, 2000 (Month Day Year)

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Name of Officer — Title — Address

Laclede Gas Company	For	Refer to Sheet No. 1
Name of Issuing Corporation or Municipality		Community, Town or City

SCHEDULE OF RATES

LARGE VOLUME SERVICE (LV)

Availability – Service under this rate schedule is available for qualifying firm gas uses including cogeneration and for boiler plant use where gas is the exclusive boiler plant fuel. Service under this rate schedule is available to customers contracting for separately metered gas service for a minimum term of one year with a billing demand equal to, or greater than, 250 therms and an annual usage equal to, or greater than 60,000 therms.

Rate – The monthly charge shall consist of a customer charge, a demand charge, and a commodity charge as set forth below:

Customer Charge – per month	$565
Demand Charge – per billing demand therm	54¢
Commodity Charge – per therm	
For the first 36,000therms used per month	2.249¢
For all therms used in excess of 36,000 therms	1.236¢

Minimum Monthly Charge – The Customer Charge plus the Demand Charge.

Terms of Payment – Customer's monthly bills will be computed at both the net and gross rates. Gross rates will be two percent (2%) higher than net rates. The net bill is payable on or prior to due date stated thereon. After this date, the gross bill is payable.

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29.

DATE OF ISSUE December 21, 1999 (Month Day Year) DATE EFFECTIVE January 22, 2000 (Month Day Year)

ISSUED BY R.L. Sherwin, Assistant Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer / Title / Address

Laclede Gas Company	For	Refer to Sheet No. 1
Name of Issuing Corporation or Municipality		Community, Town or City

SCHEDULE OF RATES

INTERRUPTIBLE SERVICE (IN)

Under certain conditions, and from time to time, the Company has excess gas to sell. When the Company has such gas available for resale, it will make short-term contracts for the sale thereof.

Availability – This rate schedule is available to customers contracting for separately metered interruptible gas service for a minimum term of one year with a demand equal to, or greater than, 10,000 cubic feet per hour.

Net Rate – The monthly charge shall consist of a customer charge and a commodity charge as set forth below:

Customer Charge	\$500
Commodity Charge	
First 100,000 therms – per month – per therm	6.634¢
Over 100,000 therms – per month – per therm	5.134¢
Charge for Gas Used During Interruption	
All gas used during any period of interruption – per therm	35.255¢

Minimum Monthly Charge – The Customer Charge.

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29.

Late Payment Charge – Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

DATE OF ISSUE December 21, 1999 (Month Day Year) DATE EFFECTIVE January 22, 2000 (Month Day Year)

ISSUED BY R.L. Sherwin, Assistant Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer / Title / Address

Laclede Gas Company — For — Refer to Sheet No. 1

Name of Issuing Corporation or Municipality — Community, Town or City

SCHEDULE OF RATES

GENERAL L.P. GAS SERVICE (LP)

Availability – This rate schedule is available for all L.P. gas service to those customers located in subdivisions in the Company's certificated area where natural gas is not available, where the subdivision developer is willing to construct the subdivision so as to make it fully adapted to such service and the later conversion to natural gas and where a central L.P. gas system is determined by the Company to be feasible.

Rate	Customer Charge – per month	$10.50
	For all gallons used per month – per gallon	12.373¢

Minimum Monthly Charge – The Customer Charge.

Purchased Gas Adjustment

(A) The above charges shall be subject to an adjustment per gallon, which shall be referred to as the L.P. Current Purchased Gas Adjustment ("L.P. CPGA"). Concurrent with any CPGA filing made by the Company for natural gas customers, the Company will compare its current average unit cost for the purchase of L.P. gas to the average unit L.P. gas cost underlying the existing L.P. CPGA. If such difference is greater than or equal to 1.0¢ per gallon, the Company will file a new L.P. CPGA with the Commission, along with supporting materials, based on said current average unit L.P. gas cost. Upon approval by the Commission, such new L.P. CPGA factor will become effective on a pro-rata basis beginning with the effective date stated on Sheet No. 29.

(B) Whenever the actual prices paid by the Company for L.P. Gas differ from the price upon which its then effective adjustment is predicated, the amount of increased or decreased L.P. Gas cost resulting from such difference in price shall be debited or credited to a Deferred Purchased L.P. Gas Cost account. The cumulative balance of such deferred account entries for the same period set out in Paragraph C.7 of the Company's PGA Clause shall be divided by the estimated amount of L.P. Gas gallons to be sold during the subsequent twelve-month ended October period. The resulting deferred cost per gallon shall be applied as a Deferred L.P. Gas Adjustment which shall be made effective on a pro-rata basis beginning with the effective date of the Company's Winter PGA filing and shall remain in effect until superseded by a revised adjustment in the next scheduled Winter PGA filing. Such deferred adjustment shall increase or decrease the adjustments determined pursuant to Paragraph A hereof. All increases or decreases in charges resulting from the deferred adjustment shall be appropriately recorded in the Deferred L.P. Gas Cost account.

DATE OF ISSUE December 21, 1999 (Month Day Year) — DATE EFFECTIVE January 22, 2000 (Month Day Year)

ISSUED BY R.L. Sherwin, Assistant Vice President, 720 Olive St., St. Louis, MO 63101

Name of Officer — Title — Address

Laclede Gas Company — For — Refer to Sheet No. 1

Name of Issuing Corporation or Municipality — Community, Town or City

SCHEDULE OF RATES

UNMETERED GAS LIGHT SERVICE (SL)

Availability – This rate schedule is available, subject to the special provisions included herein, to customers who contract for service thereunder for a minimum term of one year for unmetered gas to be used solely for the continuous operation of gas lights.

Rate

Customer Charge	$3.70 per month

For lights equipped with mantle units with an hourly input rating of 3 cubic feet or less per mantle unit:

Each initial mantle unit per light	$3.09 per month
Each additional mantle unit per light	$1.63 per month

For open flame lights or lights equipped with mantle units with an hourly input rating in excess of 3 cubic feet per mantle unit:

First 3 cubic feet of hourly input rating per light	$3.09 per month
Each additional 3 cubic feet of hourly input rating or fraction thereof per light	$1.63 per month

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29; and such adjustment per therm shall be applied on the basis of an average consumption of 19.7 therms per month per mantle unit.

Late Payment Charge – Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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VEHICULAR FUEL RATE (VF)

Availability

This rate schedule shall apply to the sale of separately metered natural gas to customers for the sole purpose of compression by the customer or a party engaged by the customer for use as a vehicular fuel, whether such fuel is used directly by the customer or is resold to other end-user(s) as compressed natural gas ("CNG") for vehicular use.

Service for any end-use of gas other than the compression of natural gas for vehicular use, such as space heating, water heating, processing or boiler fuel use, is not permitted under this schedule. Service which is provided for other end-uses through a separate meter at the same location will be billed by the Company under the applicable rate schedule.

Nothing herein precludes a customer from satisfying its CNG requirements through another sales or transportation rate schedule, where applicable.

Service provided by the Company under this rate schedule does not include the provision of compression services or facilities for CNG purposes.

Rate

Customer Charge – per month	$14.00
Charge for Gas Used – For all therms used per month per therm	3.383¢

Minimum Monthly Charge – The Customer Charge.

Purchased Gas Adjustment – The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29.

Late Payment Charge – Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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SCHEDULE OF RATES

PURCHASED GAS ADJUSTMENT CLAUSE

A. Current Purchased Gas Adjustments

In the event of increases or decreases in the cost of purchased gas, charges for gas service contained in the Company's then effective retail rate schedules on file with the Missouri Public Service Commission (Commission), with the exception of the Large Volume Transportation and Sales Service ("LVTSS") rate schedule, shall be increased or decreased at the times provided in Section E by a Current Purchased Gas Adjustment ("CPGA"). The CPGA for sales made pursuant to the LVTSS rate schedule shall be determined and implemented on a monthly basis, as described in paragraph 5 below, and shall be calculated in conformance with the CPGA for other firm sales rate schedules, except where noted. The cost of purchased gas shall include but not be limited to all charges incurred for gas supply, pipeline transmission and gathering and contract storage.

1. a. The PGA factor for firm sales shall be calculated by summing the gas cost components per therm as determined in accordance with paragraphs 2.a., b., c., d. and e. respectively, of Section A of this clause.

   b. The PGA factor for the seasonal and interruptible sales classifications shall be calculated by summing the gas cost components per therm as determined in accordance with paragraphs 2.c., d. and e. respectively, of Section A of this clause.

2. The following unit gas cost components, rounded to the nearest .001¢ per therm, are recoverable under the PGA of either firm or interruptible sales customers, where applicable, as described in Paragraph A.1. above.

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SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts (Continued)

1. Such excess or deficiency in total gas cost recovery, for each sales classification (firm other than LVTSS, LVTSS and seasonal and interruptible) and for each transportation classification (firm and basic) shall be determined by a monthly comparison of the actual cost of gas, net of storage injections and withdrawals, as shown on the Company's books and records, exclusive of refunds, for each revenue month to the gas cost revenues recovered for such revenue month.

2. Each component of actual gas cost shall be allocated to the sales and transportation classifications in accordance with the CPGA components described in Paragraph 2 of Section A above relating to each component and based on the volumes sold and/or transported to the applicable customer classification during the twelve month period ending with the September revenue month. The actual costs of propane peak shaving supplies and penalties will be allocated solely to firm sales customers, including LVTSS customers.

3. The amount of gas cost revenues recovered each month for the sales classes shall be the product of the actual therm sales of each sales class and the gas cost revenue recovery components for such sales class. Such revenue recovery component shall be equal to the CPGA applicable to such sales class.

4. The amount of gas cost revenues recovered each month for the transportation classes shall be the product of the actual therms transported and the "Additional Transportation Charges," where applicable, specified in the Company's Large Volume Transportation and Sales Service tariff.

5. The Deferred Purchased Gas Cost Account shall be credited for those revenues received by the Company for the release of pipeline transmission or leased storage capacity to another party other than those revenues which are retained by the Company as described in Section D.1.a. below. Such revenues will be allocated to firm sales, including LVTSS, and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b.

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SCHEDULE OF RATES

F. CURRENT PURCHASED GAS ADJUSTMENTS

THE FOLLOWING STANDARD VOLUMES, BASIC RATES AND GAS COSTS SHALL BE USED FOR PURPOSES OF PARAGRAPH A HEREOF:

	THERMS
FIRM SALES	842,766,046
SEASONAL & INTERRUPTIBLE SALES	8,677,374
TOTAL SALES	851,443,420
FIRM TRANSPORTATION	74,664,795
BASIC TRANSPORTATION	114,330,711
AUTHORIZED OVERRUN	1,172,942
TOTAL THROUGHPUT	1,041,611,868
TOTAL PURCHASES	873,820,923

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PURCHASED GAS ADJUSTMENT CLAUSE
Adjustment Statement

In accordance with the Company's Purchased Gas Adjustment Clause contained in Sheet Nos. 15 through 28-g, inclusive and the Company's Purchased L.P. Gas Adjustment Clause contained on Sheet No. 8, the following adjustments per therm or per gallon, where applicable, will become effective on and after the effective date of this tariff.

Sales Classification	Current PGA	ACA	UFA	Refund	Total Adjustment
Firm Other Than LVTSS	37.108¢	(.975¢)	(0.000¢)	(.224¢)	35.909¢
LVTSS	*	2.240¢	-	(.224¢)	*
Seas. & Int.	30.092¢	1.740¢	(0.000¢)	(0.000¢)	31.832¢
L.P.	46.179¢	3.243¢	-	-	49.422¢

Firm Other Than LVTSS sales are rendered under General Service Rate (Sheet No. 2), the Large Volume Service Rate (Sheet No. 5), the Unmetered Gas Light Service Rate (Sheet No. 9), Vehicular Fuel Rate (Sheet No. 11) and all special contracts for firm service.

LVTSS sales are rendered under the Large Volume Transportation and Sales Service Rate (Sheet No. 34).

Seasonal and Interruptible sales are rendered under the Seasonal Air Conditioning Service Rate (Sheet No. 4), and the Interruptible Service Rate (Sheet No. 7).

L.P. Gas sales are rendered under the General L.P. Gas Service Rate (Sheet No. 8).

* Revised each month in accordance with Section A.5 of the PGA clause.

Additional Transportation Charges, ACA Factors and Refunds

Customer Groups	TOP	Capacity Reservation	Other Non-Commodity	ACA	Refund
Firm	-	4.981¢	-	.477¢	.000¢
Basic – Firm Sales Prior to 11/15/99	-	-	-	.000¢	.000¢
Basic - Other	-	-	-	.000¢	(.157¢)

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RECONNECTION CHARGES

Charges for reconnection of service as described in Rule No. 15 of this tariff, shall be as follows:

(A) Residential Customer $54.00

(B) Commercial or Industrial Customer, the greater of::

(1) The applicable charge set out in (A) above; or

(2) A charge that is equal to the actual labor and material costs that are incurred to complete the disconnection and the reconnection of service.

(C) Residential, Commercial, or Industrial Customer whose service pipe was disconnected and/or whose meter was removed by reason of fraudulent use or tampering, the greater of:

(1) The applicable charge set out in (A) or (B) above; or

(2) A charge that is equal to the actual labor and material costs that are incurred in the removal of the meter or disconnection of the service pipe and the reinstallation of the meter or the reconnection of the service pipe.

METER READING NON-ACCESS CHARGE

The charge for non-access as described in Rule No. 22 of this tariff, shall be as follows:

Charge for Non-Access $10.00

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SCHEDULE OF RATES

LARGE VOLUME TRANSPORTATION AND SALES SERVICE

A. Availability:

1. Gas transportation service and supplementary gas sales service pursuant to this tariff is available to any customer contracting for separately metered gas service for a minimum term of one year with a Billing Demand equal to, or greater than, 1,500 therms and an annual usage equal to, or greater than, 300,000 therms, except as provided in paragraph A.2 below, and for whom gas can be transported to the Company pursuant to the State of Missouri or federally authorized transportation arrangements. Any Customer receiving transportation service under this tariff shall purchase its own gas for delivery to the Company at a Receipt Point acceptable to the Company. In addition, such Customer shall obtain and maintain a dedicated phone line or provide access for other suitable communication equipment to be made available by Company or Customer upon mutual agreement for connection to the telemetering equipment supplied by the Company.

2. For purposes of applying the monthly balancing provisions of Section D.4.3. below and the charge for gas used in excess of the Customer's Daily Scheduled Quantities ("DSQ") as described in Section B.1. below, any end-user, which owns or controls the facilities where separately metered gas service is or will be provided under this tariff for the same class of transportation service as such class is defined in Section B below, may aggregate the receipts and deliveries related to such facilities, provided that at least one facility meets the eligibility requirements set forth in Paragraph 1 above and each other facility is covered by a separate transportation contract with a Billing Demand equal to, or greater than, 1,000 therms and an annual usage equal to, or greater than, 200,000 therms. Transportation service shall only be provided to facilities with a Billing Demand between 1,000 and 1,500 therms and an annual usage between 200,000 and 300,000 therms when the receipts and deliveries of such facilities are aggregated with the receipts and deliveries of other facilities as provided by this paragraph.

3. Transportation service under this tariff will be made available to eligible customers upon request when the Company has sufficient distribution system capacity. If the Company determines that it does not have sufficient distribution system capacity to provide the requested service, it will provide to the customer requesting transportation service a written explanation of its distribution system capacity determination and a preliminary indication of the necessary changes to facilities, the approximate cost and the time required to provide such requested transportation service.

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SCHEDULE OF RATES

B. CHARACTER OF SERVICE (Continued)

5. Authorized Overrun Provision – When requested by the Customer, and authorized by the Company in its sole discretion, the Customer's DSQ on any day may be increased to a level not to exceed 110% of the currently effective billing demand, without causing an increase in such billing demand.

6. Period of Excess Receipts – Effective at the beginning of any day, as such term is defined in Paragraph 1.1 of Section D hereof, and with the same notice requirements as in B.1. above, any Customer may be ordered to limit its DSQ to 115% of the deliveries made to such Customer. However, any such limitation shall not exceed a total of eight days in any thirty-day rolling period. When such limitation order is in effect, the Company will purchase from such Customer any excess receipts at 75% of the lesser of the first of the month index or the daily index published in the ***Gas Daily*** for MRT west leg deliveries. Such purchases by the Company shall be used to satisfy the Company's system supply requirements. When possible, prior to the notification described above, the Company shall provide advance notice to Customers on a best-efforts basis of an imminent Period of Excess Receipts that may be under consideration by the Company.

C. RATES

The monthly charge per each separately metered location shall consist of the charges set forth below:

Customer Charge - per month	$835
Reservation Charge - per billing demand therm	48¢
Transportation Charge - per therm transported (*)	
For the first 36,000 therms transported per month	1.646¢
For all therms transported in excess of 36,000 therms	.827¢
Commodity Charge - per therm sold (*)	
For the first 36,000 therms sold per month	1.646¢
For all therms sold in excess of 36,000 therms	.827¢
Storage Charge - per therm for any full or partial month	2.000¢
Authorized Overrun Charge – per therm transported	3.742¢

(*) See footnote on Sheet No. 34-a

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C. RATES (Continued)

Determination of Billing Demand – The billing demand for each month shall be the greater of (a) the Customer's contracted for billing demand for each separately metered service or (b) the maximum amount of gas (in therms) transported and/or purchased for each separately metered service during any consecutive period of 24 hours during the months of November through March when the Company has restricted Basic Service deliveries to the DSQ. Notwithstanding the foregoing provisions, the billing demand for any month shall not be less than the highest billing demand for any of the last preceding 11 months.

Purchased Gas Adjustment (PGA) – The charge for all therms sold to the Customer shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas applicable to LVTSS, equal to the CPGA made effective in accordance with paragraph A.5, plus the ACA, UFA and refund factors set out on Sheet No. 29.

Unauthorized Use Charge – On any day, the Company may order a Customer contracting for Basic Service to limit its use to the DSQ. When such limitation order is in effect, the Customer will be charged an unauthorized use charge of $2.00 per therm for all gas used in excess of the DSQ. This unauthorized use charge is in addition to the other applicable charges set forth herein, and is subject to the service discontinuance rights of the Company set forth under Section B(1) hereof.

D. TERMS AND CONDITIONS

1. DEFINITIONS – The following terms when used in this tariff, in the Contract and in transactions relating to such tariff or contract shall have the following meanings:

1.1 A "day" shall be a period of twenty-four (24) consecutive hours commencing at nine o'clock (9:00) a.m. Central Clock Time ("CT").

1.2 A "month" shall be a period of one calendar month commencing at nine o'clock (9:00) a.m. CT on the first day of such month.

1.3 A "year" shall be a period of three hundred sixty-five (365) consecutive days commencing and ending at nine o'clock (9:00) a.m. CT, provided that any such year which contains the date of February 29 shall consist of three hundred sixty-six (366) consecutive days.

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2. RULES AND REGULATIONS

Transportation service shall be furnished under this tariff and unless stated otherwise in this tariff, such service shall be subject to the Company's Tariff Rules and Regulations.

3. BILLING

3.1 The Company will render bills monthly for the transportation and sales service furnished during the previous monthly period, and such billing shall become due 15 days after the date of the invoice. Should the Customer fail to pay the amount of any such billing by the due date, an additional charge of 2% of such bill shall be owed. If such failure shall continue for fifteen (15) days after such payment is due, then the Company, in addition to any other remedy it may have, may suspend further receipt and/or delivery of gas to such Customer until all overdue billing amounts are paid.

3.2 The Customer agrees to reimburse the Company for all taxes and other fees levied in connection with the transportation service which the Company is obligated to pay to any governmental, municipal or taxing authority.

4. CONDITIONS OF RECEIPT AND DELIVERY

4.1 The Customer will provide for the delivery of quantities of gas to be transported to a Receipt Point on the Company's system selected by the Company and the Company shall deliver to the Customer at the appropriate Delivery Point like quantities of gas. Gas transported hereunder shall be delivered to the Company in the State of Missouri, shall be used exclusively by the Customer in the State of Missouri and shall not be resold by the Customer.

4.2 The Customer and the Company shall establish by mutual agreement the date on which the receipt and delivery of gas hereunder shall commence.

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4.3 Monthly Balancing. Monthly transportation gas receipts and deliveries shall be in balance by the Customer to the maximum extent practicable. Despite the best efforts of the Customer to keep such receipts and deliveries in balance, any imbalance which does occur shall be subject to the terms and conditions of this Section.

(a) Monthly Balancing of Over-Delivery to Customer: During any month when the quantity of gas delivered to the Customer is greater than the quantity of gas received by the Company on behalf of the Customer, the Company will sell to the Customer the quantity of gas required so that any such over-delivery imbalance at the end of the month is not greater than five (5) percent of the actual quantity of gas received by the Company during such month on behalf of the Customer.

(b) Monthly Balancing of Under-Delivery to Customer: During any month when the quantity of gas delivered to the Customer is less than the quantity of gas received by the Company on behalf of the Customer, the storage charge, as set forth above, shall be applicable to any such under-delivery imbalance which is in excess of five (5) percent of the actual quantity of gas received by the Company during such month.

(c) Excessive Over-Delivery and Under-Delivery: Notwithstanding the foregoing, whenever, in the sole judgement of the Company, the quantity of gas received by the Company on behalf of the Customer has resulted in excessive over-delivery or under-delivery of gas, the Company will notify the Customer, by telephone, facsimile or electronic messaging, of such excessive over-delivery or under-delivery. Upon receipt of such notice, the Customer will immediately take whatever steps are necessary to eliminate such excessive over-delivery or under-delivery. If the Customer fails to eliminate such excessive over-delivery or under-delivery, the Company may, at its sole option: (1) modify such Customer's DSQ to an appropriate level to eliminate excessive imbalances; or (2) terminate the Contract. The Company reserves the right to reject increased DSQs by an affiliate or marketer representing the Customer, which increase in the Company's judgment is intended to offset the reduced DSQ. Nothwithstanding the foregoing reduction, such reduction shall remain in effect until a DSQ change is submitted by the Customer and accepted by the Company.

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(d) Final Balancing: If an over-delivery imbalance exists at the expiration or termination of a contract, the Company will sell to the Customer the quantity of gas necessary to eliminate such imbalance. Any final under-delivery imbalance shall be resolved by the mutual agreement of the Company and the Customer.

4.4 Sequence of Deliveries. Unless agreed otherwise between the Company and the Customer, gas delivered to the Customer by the Company shall be deemed to be delivered or accounted for to the Customer in the following sequence:

(a) Any gas which is used to eliminate or reduce any imbalance incurred by the Customer;

(b) All current DSQ;

(c) Gas sold by the Company to the customer in the current billing period.

4.5 Before the Customer commences, or causes to be commenced, the delivery of any gas to the Company for transport, such Customer shall furnish to the Company adequate information which demonstrates to the Company's satisfaction that the gas supplies the Customer will purchase, and the third party transportation to be provided such supplies, will conform to the delivery specifications of the Company and of the Transporter's tariff, and that such supplies are reasonably reliable for the purpose of meeting the Customer's DSQ requirements.

4.6 The determination of system capacity limitations shall be in the sole discretion of the Company, which discretion will be exercised reasonably. If capacity limitations restrict the quantities of gas which the Customer desires to be transported, the Customer may request the Company to make reasonable enlargements and/or modifications in its existing facilities, which request(s) the Company shall not unreasonably refuse, provided that the actual cost (including indirect costs) of such system enlargements and/or modifications are paid by the Customer. Title to such enlarged and/or modified facilities shall be, and remain, in the Company free and clear of any lien or equity interest by the Customer, or any other person or party. Nothing herein contained shall be construed as obligating the Company to construct any extensions or modify its facilities.

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5. SCHEDULING

5.1 Schedules of the Customer's DSQ must be received by the Company by the times provided herein, and may be changed prospectively pursuant to this tariff. All such schedules and changes thereto shall specify gas quantities by Receipt and Delivery Point(s). The Company may refuse to receive or deliver any gas not timely and properly scheduled, and the Customer indemnifies and holds the Company harmless from any liability whatsoever to the Company for or related to such refusal.

5.2 By at least 10:00 a.m. on the second work day prior to the first day of each month, the Customer or its designee shall furnish to the Company a schedule, showing the DSQ of gas the customer desires the Company to receive and transport for each day during such month. Any change in the Customer's DSQ schedule shall only pertain to the remaining days in the then current month, and the Customer shall notify the Company by 10:00 a.m. on the day preceding the effective day of any such DSQ schedule change, or at a later time if agreed to by the Company, provided that any such notice shall be subject to modification by the Company in the event such modification is required by operational considerations. During a Period of Excess Receipts, as defined in Section B.6. of this rate schedule, such notice may be made by the Customer on a weekend or holiday provided that the DSQ change is a decrease and can be confirmed by the Company with the appropriate intra-state or interstate pipelines subsequent to such weekend or holiday. All DSQ changes shall be kept to a minimum, as permitted by operating conditions, and the Customer and the Company shall cooperate diligently to this end. The Company and the Customer shall inform each other of any other changes of receipts or deliveries immediately. Telephonic notice is acceptable for such DSQ scheduling changes; provided, such notices are followed within twenty-four (24) hours by written notice, except for notices made on weekends or holidays as provided above, in which case, the written notice made subsequent to the telephonic notice must be received by the Company by 10:00 a.m. on the first work day following such weekend or holiday.