

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Verified Application and)	
Petition of Laclede Gas Company to Change its)	Case No. GO-2007-_____
Infrastructure System Replacement Surcharge)	

**VERIFIED APPLICATION AND PETITION
OF LACLEDE GAS COMPANY TO CHANGE ITS
INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE**

COMES NOW Laclede Gas Company (“Laclede” or "Company"), pursuant to Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri (2004 Supp.), and 4 CSR 240-2.060, 2.080 and 3.265 of the Rules of the Missouri Public Service Commission (“Commission”), and for its Verified Application and Petition to Change its Infrastructure System Replacement Surcharge, respectfully states as follows:

I. BACKGROUND

1. Sections 393.1009, 393.1012 and 393.1015 of the Revised Statutes of Missouri authorize eligible gas corporations to recover certain infrastructure replacement costs by establishing and updating an infrastructure system replacement surcharge (“ISRS”). Laclede’s ISRS was established effective June 15, 2006, and last updated effective January 2, 2007, by Commission Order in Case No. GO-2007-0177, covering ISRS eligible investments made in natural gas utility plant projects through September 2006.

2. Since Laclede’s ISRS was last updated, the Company has continued to incur ISRS costs including, most notably, property taxes. For the period from October 1, 2006 through February 28, 2007, those costs result in additional annualized ISRS

revenues that exceed the \$1 million threshold necessary to make an ISRS filing. Accordingly, Laclede submits this Application and Petition to change its ISRS to reflect these additional costs.

II. THE APPLICANT

3. Laclede is a public utility and gas corporation incorporated under the laws of the State of Missouri, with its principal office located at 720 Olive Street, St. Louis, Missouri 63101. A Certificate of Good Standing evidencing Laclede's standing to do business in Missouri was submitted in Case No. GF-2007-0220 and is incorporated by reference herein for all purposes. The information in such Certificate is current and correct.

4. Laclede is engaged in the business of distributing and transporting natural gas to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, St. Genevieve, St. Francois, Madison, and Butler in Eastern Missouri, as a gas corporation subject to the jurisdiction of the Commission.

5. Communications in regard to this Application should be addressed to:

Rick Zucker
Assistant General Counsel
Laclede Gas Company
720 Olive Street, Room 1516
St. Louis, MO 63101
(314) 342-0533

Glenn W. Buck
Manager, Financial Services
Laclede Gas Company
720 Olive Street, Room 1305
St. Louis, Missouri 63101
(314) 342-0767

6. Other than cases that have been docketed at the Commission, Laclede has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates.

7. Laclede is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

III. THE ISRS REQUEST

8. With this application, Laclede requests an adjustment to its ISRS rate schedule to reflect costs incurred in connection with ISRS-eligible infrastructure system replacements made during the period beginning October 1, 2006 through February 2007. In accordance with the provisions of Sections 393.1009-1015 and 4 CSR 240-3.265, the revised ISRS rate schedule reflects the appropriate pre-tax ISRS revenues necessary to produce net operating income equal to Laclede's weighted cost of capital multiplied by the net original cost of the requested infrastructure replacements during this period that are eligible for the ISRS, including recognition of accumulated deferred income taxes and accumulated depreciation associated with eligible infrastructure system replacements that were included in Laclede's currently effective ISRS. Laclede also seeks to recover all state, federal and local income or excise taxes applicable to such ISRS income, and to recover all other ISRS costs such as depreciation expense and property taxes due within 12 months of this filing.

A. Eligibility of Costs

9. The infrastructure system replacements for which Laclede seeks ISRS recognition are set forth on Appendix A, which is attached hereto and made a part hereof for all purposes. The infrastructure system replacements listed on Appendix A are

eligible gas utility plant projects in that they are either: a) mains, valves, service lines, regulator stations, vaults, and other pipeline system components installed to comply with state or federal safety requirements as replacements for existing facilities that have worn out or are in deteriorated condition; or b) main relining projects, service line insertion projects, joint encapsulation projects, and other similar projects extending the useful life, or enhancing the integrity of pipeline system components undertaken to comply with state or federal safety requirements; or c) unreimbursed infrastructure facility relocations due to the construction or improvement of a highway, road, street, public way or other public work required by or on behalf of the United States, the State of Missouri, a political subdivision of the State of Missouri, or another entity having the power of eminent domain.

10. In addition to meeting the foregoing criteria, the infrastructure system replacements listed on Appendix A are also eligible for ISRS treatment because they: a) did not increase revenues by directly connecting to new customers; b) are currently in service and used and useful; c) were not included in Laclede's rate base in its most recently completed general rate case, or in a previous ISRS filing; and, d) replaced and/or extended the useful life of existing infrastructure.

11. Finally, the infrastructure system replacements listed on Appendix A are eligible for ISRS treatment because Laclede's last general rate case proceeding was decided by Commission Orders issued within the past three years, that is, on September 30, 2005, in Case No. GR-2005-0284 (the "Rate Case").

B. Rate Schedules, Calculations and Supporting Documentation

12. Attached hereto as Appendix B is the rate schedule, with supporting documents, proposed by Laclede in order to revise the ISRS to reflect the additional ISRS eligible investments made by Laclede that were not included in its previous ISRS filing. This proposed rate schedule, on an annualized basis, will produce additional ISRS revenues of at least one million dollars, but not in excess of ten percent of Laclede's base revenue level as approved by the Commission in its most recently completed general rate proceeding.

13. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes current local, state and federal income tax rates through a combined income tax rate conversion factor of 1.6276.

14. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes the average regulatory capital structure consistent with Attachment 6 to the Stipulation and Agreement (the "Rate Case Stipulation") that was approved in the Rate Case, and reflects an overall rate of return of 8.45%.

15. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes a weighted average cost of debt of 3.46%, consistent with Attachment 6 of the Rate Case Stipulation.

16. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes a cost of common equity of 10.05%, consistent with Attachment 6 of the Rate Case Stipulation.

17. In determining the appropriate pre-tax ISRS revenues, the proposed rate schedule utilizes depreciation rates currently applicable to the eligible infrastructure system replacements, as approved by the Commission for Laclede in the Rate Case.

18. In determining the appropriate monthly ISRS charge, the proposed rate schedule is based on a reasonable estimate of billing units in the period in which the charge will be in effect, derived by dividing the appropriate pre-tax revenues, as calculated above, by the average number of customers in the most recent fiscal year ended September 30, 2006, and then further dividing this quotient by twelve. (*See Appendix B, pp. 11-12*). Consistent with the methodology used in previous ISRS filings, the monthly ISRS charge is apportioned between customer classes in proportion to the customer charges applicable to those classes.

19. ISRS information on the Company's website, along with call center instructions pertaining to the ISRS, are attached hereto as Appendix C, and are incorporated herein by reference.

WHEREFORE, pursuant to 393.1015.2(3) and Commission Rule 3.265(12), Laclede Gas Company respectfully requests that the Commission issue an Order, effective as soon as reasonably possible in accordance with the Stipulation and Agreement approved in Case No. GR-2005-0284, approving a change to Laclede's ISRS rate schedules to provide for the recovery of the eligible infrastructure system replacement investments made by Laclede from October 1, 2006, through February 2007, and granting such other relief as may be necessary and appropriate to accomplish the purposes of Sections 393.1009 through 393.1015.

Respectfully submitted,

/s/ Rick Zucker

Michael C. Pendergast # 31763
Vice President & Associate General Counsel
Rick E. Zucker #49211
Assistant General Counsel –Regulatory

Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
(314) 342-0532 (telephone)
(314) 421-1979 (fax)
E-mail:mpendergast@lacledegas.com

ATTORNEYS FOR LACLEDE GAS COMPANY

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing Application and Petition was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 29th day of March, 2007 by hand-delivery, fax, electronic mail or by placing a copy of such Application, postage prepaid, in the United States mail.

/s/ Gerry Lynch

Gerry Lynch

VERIFICATION

State of Missouri)
)
City of St. Louis) ss

I, James A. Fallert, being of lawful age state: that I am Controller for Laclede Gas Company; that I have read the foregoing Application and Petition and the documents attached thereto; that the statements and information set forth in such Application and Petition and attached documents are true and correct to the best of my information, knowledge and belief; and, that I am authorized to make this statement on behalf of Laclede Gas Company.



James A. Fallert

Subscribed and sworn to before me this 29th day of March, 2007.



Notary Public

My Commission Expires: February 18, 2008

KAREN A. ZURLIENE
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI, CITY OF ST. LOUIS
MY COMMISSION EXPIRES FEBRUARY 18, 2008