

LACLEDE GAS COMPANY  
720 OLIVE STREET  
ST. LOUIS, MISSOURI 63101

MICHAEL C. PENDERGAST  
ASSOCIATE GENERAL COUNSEL

September 3, 1999

Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
Harry S Truman Building  
301 W. High Street, 5th Floor  
Jefferson City, MO 65101

FILED

SEP 3 1999

Missouri Public  
Service Commission

RE: Case No. GR-99-315

Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding are an original and fourteen (14) copies of the First Amended Partial Stipulation and Agreement. This document has been executed by all of the active parties to this proceeding - Laclede Gas Company, the Commission Staff, the Office of the Public Counsel, Missouri Industrial Energy Consumers, the Missouri Energy Group and Union Electric Company d/b/a AmerenUE.

This First Amended Partial Stipulation and Agreement differs from the Partial Stipulation and Agreement previously filed in this proceeding in that it reflects the parties' settlements concerning the weather, heating, ventilation and air conditioning revenues, class cost of service and rate design issues. Specifically, paragraphs 10 and 12 have been added to the body of the Partial Stipulation and Agreement and Attachment 1 has been modified to reflect the effect of the weather/HVAC settlement. Finally, Attachment 2 has been added to explain the terms of the class cost of service/rate design settlements.

In all other respects, this First Amended Partial Stipulation and Agreement is substantially the same as the Partial Stipulation and Agreement previously filed in this proceeding.

Respectfully Submitted,

  
Michael C. Pendergast

cc: All parties of record

FILED

SEP 3 1999

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Missouri Public  
Service Commission

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

FIRST AMENDED PARTIAL STIPULATION AND AGREEMENT

On January 26, 1999, Laclede Gas Company ("Laclede" or "Company") submitted to the Missouri Public Service Commission ("Commission") revised tariff sheets reflecting increased rates for gas service provided to customers in its Missouri service area. The proposed tariff sheets contained a requested effective date of February 26, 1999 and were designed to produce an annual increase of approximately 6.1 percent (\$30.5 Million) in charges for gas service.

By Order dated February 9, 1999, the Commission suspended the proposed tariff sheets and established a procedural schedule for interventions, the prefilng of direct testimony and exhibits by Laclede and evidentiary hearings. Additional procedural dates were subsequently established by the Commission in its April 29, 1999, Order Granting Interventions, Setting Procedural Schedule and Establishing Test Year and its June 7, 1999 Order Modifying Procedural Schedule. In addition, the Commission also granted the Applications to Intervene filed by Union Electric Company d/b/a AmerenUE; Missouri Industrial Energy

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Consumers (Adam's Mark Hotels, Alcoa Foil Products, Anheuser-Busch Companies Inc., The Boeing Company, Ford Motor Company, General Motors Corporation, Hussmann Refrigeration, MEMC Electronic Materials Inc., Monsanto Company, Paulo Products Company, Proctor & Gamble Manufacturing Company and Ralston Purina Company); MRT Energy Marketing Company, Oil, Chemical & Atomic Workers, Local 5-6, and Barnes-Jewish Hospital, DaimlerChrysler Corporation, Emerson Electric Company, and SSM Healthcare, (collectively the "Missouri Energy Group").

By Order dated May 11, 1999, the Commission scheduled local public hearings in the City of St. Louis and St. Louis County, Missouri. Local hearings were held in this proceeding on August 11, 1999.

Pursuant to the procedural schedule established by the Commission, a prehearing conference was convened on July 9, 1999. Other than the Oil, Chemical & Atomic Workers, Local 5-6, all of the above Parties appeared at the prehearing conference. As a result of the prehearing conference and further discussions, the undersigned parties ("Parties") have reached the following stipulations and agreements.<sup>1</sup>

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<sup>1</sup> The Missouri Energy Group supports paragraph 12 of this First Amended Partial Stipulation and Agreement and neither supports nor opposes any other provision of this First Amended Partial Stipulation and Agreement.

1. The Parties agree that the revenue requirement amounts reflected on Attachment 1 hereto, accurately reflect the impact on Staff's case of the issues that have been resolved to date among the parties. Such revenue requirement amount is \$6,313,000 exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes.

2. The Parties agree that any revenue requirement amounts granted the Company in connection with: (A) the Company prevailing on any of the remaining issues in this case that are not identified in Attachment 1 (B) the Company receiving an amount as a result of the true-up hearing in this case in excess of the initial true-up allowance of \$7,341,000 reflected in Staff's filed run, and/or (C) adjustments to the dollar values of the issues listed in Attachment 1 to reflect the Commission's resolution of any remaining issue that may affect those values, shall be added to the revenue requirement amount reflected in Attachment 1 to this First Amended Partial Stipulation and Agreement.

3. Laclede shall continue to book, for financial purposes, expense levels associated with pensions and post-retirement benefits other than pensions ("OPEBs") in accordance with Financial Accounting Standards Board Statements ("FAS") 87, 88, and 106, respectively. Laclede's accounting therefor shall continue to reflect the: (a)

actual Market Value of the pension fund assets rather than the Market-Related Value previously used by Laclede; (b) amortization of any resulting unrecognized net gains and losses over a five year period; and (c) use of the prospective "smoothing" mechanism described in Attachment 3 to the Stipulation and Agreement approved in Case No. GR-98-374. In addition, gains and losses shall be calculated, on a first dollar basis, for all pension lump-sum settlements, to the extent permitted by FAS 88. The Parties further agree that the rates resulting from this First Amended Partial Stipulation and Agreement make provision for recovery of pension costs on a FAS 87 and 88 basis for all qualified pension plans and recovery of OPEB costs on a FAS 106 basis.

4. The Parties agree that the OPEB, SERP, Y2K and MGP Accounting Authority Orders granted by the Commission in Case No. GR-98-374 shall be terminated effective August 1, 1999, subject to the following terms and conditions:

- (A) a regulatory asset shall be established with a balance of \$2,064,000. One tenth of this balance has been included in the cost of service recognized in this proceeding and one tenth of such balance shall continue to be amortized annually in cost of service for ratemaking consideration for the next subsequent nine years.

An additional regulatory asset shall be established with a balance of \$10,529,000. One fifteenth of this balance has been included in the cost of service recognized in this proceeding and one fifteenth of such balance shall continue to be amortized annually in cost of service for ratemaking consideration for the next subsequent fourteen years. The parties agree that they will not propose, in any manner, exclusion of such amortized amounts in Laclede's cost of service for ratemaking purposes during the aforementioned periods required to amortize such balances. The parties further agree that they will not propose to include such balances in the Company's rate base; and

- (B) the Company shall capitalize and charge to the appropriate gas plant accounts all costs incurred by the Company subsequent to March 1, 1998 to replace, enhance, and/or modify its information systems and computerized voice and data systems in connection with the Company's efforts to make such systems Y2K compliant.

5. Notwithstanding any other provision of this First Amended Partial Stipulation and Agreement to the contrary, the Parties agree that Laclede shall be granted accounting

authorization to continue to defer and book to Account 182.3 for consideration in Laclede's next rate case all costs incurred by Laclede between July 31, 1999, and the earlier of: a) the effective date of the rates established in Laclede's next general rate case proceeding; or b) the beginning of the deferral period of any subsequent accounting authority order granted by the Commission for such costs: (1) to replace Company service and yard lines and to move and reset and/or replace meters in connection therewith; (2) to replace cast iron mains and to transfer services from the old main to the new main in connection therewith; (3) to replace and/or cathodically protect unprotected steel mains and to transfer services from the old main to the new main in connection therewith; and (4) to survey and/or bar hole buried fuel and copper service lines for leaks; including, without limitation, property taxes, depreciation expenses, and all other expenses and carrying costs (at the overall rate of interest calculated pursuant to the Federal Energy Regulatory Commission formula for computing AFUDC as set out at 18 CFR Part 201, minus one percentage point). Further, the parties agree that \$157,000 will be deducted, on an annual basis, from revenue requirement for any general rate proceeding in which such rates will go into effect within fifteen years of the effective date of rates in this proceeding to reflect

imputed plant maintenance savings related to the gas safety program. During the period rates are in effect resulting from this case, the annual revenue requirement will be further reduced to reflect additional imputed maintenance savings of \$33,000, provided that nothing herein shall preclude any party from proposing that such imputation of savings be continued in future cases, independent of the continuance of this Safety Replacement Program accounting authorization. The regulatory asset balances and amortizations described in paragraph 4(A) of this First Amended Partial Stipulation and Agreement reflect the authorization granted to Laclede to defer and book all costs of any such survey and/or barhole of buried copper service lines which occurred in the spring and summer of 1999 to account 182.3. Laclede shall provide to the Financial Analysis Department of the Staff, and Public Counsel, as part of its Monthly Surveillance Report an ongoing quantification of the amounts deferred pursuant to this accounting authorization.<sup>2</sup>

6. Nothing in this First Amended Partial Stipulation and Agreement shall be construed as limiting, in any way, the Company's right to file an application with the Commission requesting an Accounting Authority Order on any

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<sup>2</sup> The issue of whether this accounting authority order should be effective for longer than two years without the necessity of the Company initiating a general rate case proceeding shall be subject to litigation and the Commission's determination in this proceeding.



cost or revenue item, or requesting that such authorization be granted effective from the date of such filing.

7. The Parties agree that Laclede shall notify its customers at least twice a year of the Insulation Financing Program's availability.

8. The Parties agree that Laclede shall, for book purposes, be authorized to continue to normalize the income tax timing differences inherent in: (a) the recognition of pension costs on a FAS 87 and 88 basis, and OPEB costs on a FAS 106 basis as authorized in Paragraph 3 of this First Amended Partial Stipulation and Agreement; (b) the prior adoption and continuation of the deferred accounting referenced in Paragraphs 4, 5 and 6 of this First Amended Partial Stipulation and Agreement; and (c) the transfer of all other services from old to new mains; by recording and recognizing in any future rates deferred income tax expense for such differences, provided that the Parties shall have the right to review and propose a different treatment of such timing differences in Laclede's next general rate case proceeding.

9. Laclede agrees to continue to maintain its books and records in a manner that will permit any costs that are related to Laclede's unregulated activities and affiliated companies to be tracked.

10. For the purpose of resolving the appropriate data, methodology, period or other criteria for establishment of weather normalized utility rates in the State of Missouri, the Company and Staff agree to cooperate in a joint undertaking ("Project"). The primary purpose of the Project is to investigate the cause and effect of changes in the air temperature readings observed at the St. Louis Lambert International Airport (Lambert Field) weather station for at least the period 1960 to the latest available data. In order to achieve this primary purpose, objectives of the Project include, but are not limited to: (1) the effect of changes in the sensor's location, in the sensor itself and in other environmental factors such as seasonality and urbanization effects; and (2) determination of the appropriate reference weather stations and the best data to be used from those stations for comparison to the Lambert Field weather station. The Company and Staff further agree: (1) to devote sufficient resources, each at its own expense, to the Project in a diligent and timely manner; (2) to work together in the Project's investigation by participation in regular meetings and communications regarding the Project's progress and status; and (3) to share Project data and other relevant information consistent with the Project's objectives. Participation in the Project shall be open to the Public Counsel, other Missouri utilities, and other

interested entities. Such participation by these other entities will be encouraged. The initial meeting for identifying and setting out details of the Project will be held not later than October 31, 1999 at the St. Louis offices of the Company. The Company contact person for the Project is Ms. Patricia Krieger. While a goal of the Project is to reach a resolution on technical issues regarding weather normalization of utility rates, the Company and Staff each reserve the right to express their differences on, and will not be bound by, findings, resolutions, courses of action to be taken, recommendations and/or results of the Project. The Parties will advise the Commission on a semi-annual basis of the status of the Project.

11. Laclede further agrees to provide Staff with actual customer billing data in a readable electronic format, such as computer tape or CD, containing customer billing data for all of its residential accounts, with the names and addresses of the customers masked. The data must include actual customer billing data for all of Laclede's residential accounts for the most recent twelve (12) months and/or test year. If requested in writing by Staff, Laclede will provide Staff with such customer billing data within a reasonable time from the date requested, not to exceed

thirty (30) calendar days. Such information shall be maintained on a confidential basis by the Staff.

12. The Parties agree that the class cost of service, rate design and related issues raised in this proceeding shall be resolved in accordance with the terms set forth in Attachment 2 to this First Amended Partial Stipulation and Agreement. The Parties further agree that they will submit within ten days of the filing of this First Amended Partial Stipulation and Agreement a more detailed description of the terms of the Parties' agreements set forth in Attachment 2.

13. None of the signatories to this First Amended Partial Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation, depreciation or revenue related methodology or any service or payment standard, and none of the signatories shall be prejudiced or bound in any manner by the terms of this First Amended Partial Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein. Nothing in this First Amended Partial Stipulation and Agreement shall preclude the Staff in future proceedings from providing recommendations as requested by the Commission.

14. This First Amended Partial Stipulation and Agreement has resulted from extensive negotiations among the

signatories and the terms hereof are interdependent. In the event the Commission does not approve this First Amended Partial Stipulation and Agreement by the issuance date of its Report and Order in this case, or approves this First Amended Partial Stipulation and Agreement with modifications or conditions that a Party to this proceeding objects to prior to the effective date of the Order approving this First Amended Partial Stipulation and Agreement, then this First Amended Partial Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

15. In the event the Commission accepts the specific terms of this First Amended Partial Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 1994) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 (RSMo. 1994); and their respective rights to judicial review pursuant to Section 386.510 (RSMo. 1994).

16. The Parties agree that all of the prefiled testimony submitted by Laclede, Staff, Public Counsel, AmerenUE and MIEC relating exclusively to any issue resolved by this First Amended Partial Stipulation and Agreement

shall be received into evidence without the necessity of their respective witnesses taking the stand.

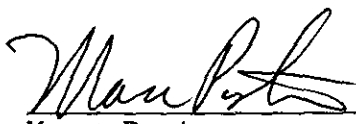
17. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this First Amended Partial Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission within five (5) business days of receipt of Staff's memorandum, a responsive memorandum that shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all Parties, and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in this proceeding or any future proceeding, whether or not the Commission approves this First Amended Partial Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this First Amended Partial Stipulation and Agreement. The Staff shall also have the right to provide, at any agenda meeting at which this First Amended Partial Stipulation and Agreement is noticed to be considered by the Commission, whatever oral

explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this First Amended Partial Stipulation and Agreement.


Respectfully submitted,

DANA K. JOYCE  
General Counsel

  
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Assistant General Counsel  
Missouri Bar No. 45722

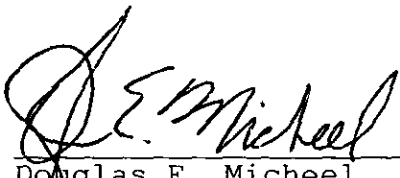
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	Revenue Requirement (\$000)	Cumulative Revenue Requirement (\$000)
Staff Direct Filing - Midpoint	(1,837)	(1,837)
Weather Correction	(1,439)	(3,276)
Bad Debt Correction	428	(2,848)
Directors Pension (Split)	35	(2,813)
CWC Pension Contribution*	343	(2,470)
CWC - Revenue Lag Correction*	6	(2,464)
Payroll, 401k & PR/ Taxes Correction	20	(2,444)
Customer Growth (Split)	223	(2,221)
Incentive Compensation (Split)	397	(1,824)
MRT Storage*	38	(1,786)
Fas 88	604	(1,182)
Property Taxes	353	(829)
Capital Structure - STD - Average Daily Balance*	238	(591)
Y2K Deferred Tax Balance Correction	14	(577)
AAOs	302	(275)
Imputed Maintenance Savings	(33)	(308)
True-Up - Computer Maintenance **	528	220
Weather/HVAC Settlement	6,000	6,220
Bad Debt Factor*	93	6,313
Settled Position		<u>6,313</u>

\* The dollar value of the above settled issues is based on Staff Midpoint filing and Return at 9.5% and will change as Return, Capital Structure and other outstanding issues change.

\*\* This amount remains subject to re-examination during the True-up Hearing.

**Terms of Settlement Relating to  
Class Cost of Service and Rate Design/Tariff Issues**

**I. Rates:** The Parties agree that the rate schedules and tariff sheets authorized for the Company upon conclusion of this proceeding shall be revised as nearly as practicable in accordance with the following terms:

**A. General Service ("GS") Class:**

**1. Residential:**

- a) Reduce second block rates by \$236,000 in non-gas revenue before any rate increase.
- b) Allocate the first \$2,800,000, approximately, of the Residential portion of any rate increase to the first block of the Commodity charge, in order to produce a 1.0¢ increase in the differential between the first block and the second block rates. Any additional increase will be derived exclusively from increases in the commodity charges and will be applied to both the first and second blocks on an equal percentage basis.
- c) No change in the customer charge.
- d) Maintain existing seasonal differential in both the first and second blocks.

**2. Commercial and Industrial ("C&I"):**

- a) Increase rates by approximately \$600,000 in non-gas revenues before any rate increase.
- b) Increase Customer Charge to \$15.00. No further change to Customer Charge in this case.
- c) Increase first block therms to first 100 therms (from first 65 therms).
- d) In allocating an increase resulting from this case, link the second block rate to the Residential second block rate less 0.2¢, and solve for the first block rate.
- e) Maintain existing seasonal differential in both the first and second blocks.
- f) For its next general rate case, Company will gather cost and usage data useful for stratifying or dividing the C&I class into appropriate classes reflecting more homogeneous characteristics, provided that no party shall be deemed to have agreed to the appropriateness of dividing such class or making any particular division.

**B. Other Classes:**

- 1. **Large Volume Transportation and Sales Service rates ("LVTSS"):** Reduce all non-gas volumetric rates by \$.00175 per therm before any rate increase.
- 2. **Seasonal Air Conditioning Service ("AC"):** Non-gas rates will equal GS non-gas rates including customer charges after removal of gas costs per II.3, below.

**C. Allocation of rate increase to each class:** After making the revenue shifts set forth above, in A.1.a), A.2.a) and B.1., allocate any rate increase to all rate classes on an equal percentage of non-gas revenues basis. Adjust non-LVTSS rates for rate switching, if necessary. In addition, except as set forth in A.1., A.2. and B.2., apply increases within the classes to all non-gas charges on an equal percentage basis.

**II. Other Provisions:**

- 1. In the next rate proceeding, the Parties agree to include the following Cost of Service Classes in any study filed: 1) Residential, 2) C&I GS, 3) AC. This will not preclude any party from filing a study that would divide these groups into additional classes.
- 2. Period of excess receipts: The Parties agree that any period of excess receipts shall be limited to eight days within any rolling 30-day period, and that related tariff modifications shall be made. The Parties further agree that the price paid for any excess receipts period volumes purchased by the Company shall be increased to 75% of MRT West Leg index.
- 3. Gas Cost: The Parties agree that gas cost shall be removed from base rates on the tariff sheets using the system average firm/interruptible base rate shown on the Company's current tariff sheets. Without prejudice as to whether any such agreement is necessary, the Parties agree that no party shall be precluded from pursuing any reallocation of gas costs in the Company's next general rate case proceeding.
- 4. The Parties agree that the Reconnection Charge proposed by the Company in this proceeding should be implemented.
- 5. Mutually acceptable billing determinants (subject to true-up) shall be filed within 10 days of the filing of this attachment.

### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 3rd day of September 1999.

Man P. L.

**SERVICE LIST FOR  
CASE NO: GR-99-315  
September 3, 1999**

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