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December 10, 1999

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Missouri Public
Service Commission

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

Re: Case No. GR-99-315

Dear Judge Roberts:

Enclosed for filing please find the original and fourteen copies of Laclede Gas Company's Response to Commission Order Directing Scenarios.

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

Copies of this filing have been hand delivered or sent by facsimile to all parties of record on this date.

Thank you.

Very truly yours,

NEWMAN, COMLEY & RUTH P.C.

By: J. Costelle for Mark W. Comley

Mark W. Comley

MWC:ab
Enclosure
cc: Office of Public Counsel (via hand delivery)
Nancy Dippell (via hand delivery)
Marc Poston (via hand delivery)
Michael C. Pendergast
All parties of record (via facsimile)

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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

LACLEDE GAS COMPANY'S RESPONSE TO COMMISSION ORDER DIRECTING SCENARIOS

COMES NOW Laclede Gas Company ("Laclede" or "Company") and for its Response to the Commission's December 7, 1999 Order directing Scenarios, states as follows:

1. On December 7, 1999, the Missouri Public Service Commission ("Commission") directed the Commission Staff ("Staff"), the Office of the Public Counsel ("Public Counsel"), and Laclede to file six scenarios showing the impact of different variables on the Company's revenue requirement. The Commission also directed the parties to fully explain: (a) the impact on the revenue requirement of each variable, as well as the total revenue requirement for each scenario; (b) the way in which all calculations in each scenario were performed; and (c) the additional assumptions made in each scenario. To that end, Laclede submits the following information for the Commission's consideration:

RESULTS OF SCENARIOS

2. In compliance with the Commission's Order, Attachment A hereto contains the results for each of the six scenarios requested by the Commission. For the Commission's convenience, the results of the six scenarios have been summarized for comparative purposes in a single table. It is Laclede's understanding that these results are identical to those generated by the Staff.

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IMPACT OF EACH VARIABLE ON REVENUE REQUIREMENT

3. Except for return on equity ("ROE"), each variable has the same impact on the revenue requirement, regardless of the scenario.[1] These impacts are as follows:

(A) Short-term Debt and Off-System Sales Revenue

The short-term debt level of $58 million has a positive revenue requirement impact of $1,154,000, while the imputed off-systems sales level of $900,000 has a negative revenue requirement impact of $914,000. On a net basis, these two amounts increase Staff's recommended true-up revenue requirement by $240,000, from $5,139,000 to $5,379,000.

(B) Revenue Collection Lag

Use of a 25.4 day revenue collection lag has no impact on the revenue requirement. Use of a 34.8 day revenue collection lag increases the revenue requirement by $1,140,000. This $1,140,000 is a net number derived by: (a) first increasing revenue requirement by $1,407,000 to reflect the actual increase in the number of days used in the overall collection lag; and (b) then decreasing revenue requirement by an offsetting amount of $267,000 to reflect elimination of final balances related to bad debt customers.

(C) Depreciation/Net Salvage

Staff's recommended net salvage has no impact on the revenue requirement. Use of the Company's recommended net salvage will increase the revenue requirement by $2,162,000. Unlike the other variables in the scenarios, however, this increase in revenue requirement only increases cash flow to Company, because any change in depreciation

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[1] Adoption of Staff's position on advertising, natural gas holders and customer annualization has no impact on Staff's recommended true-up revenue requirement of $5,139,000.

rate of recovery will result in a commensurate change in the Company's booked expense levels.

(D) ROE

Because of rate base effects and other related impacts, a percentage change in ROE will have a slightly different impact on the Company's revenue requirement depending on whether it is calculated under Scenario A or B. Subject to rounding, each ten basis point (i.e., 1/10 of 1 percent) change in ROE will change the revenue requirement by $462,000 under Scenario A and by $471,000 under Scenario B, respectively.

Laclede would also note that by calculating the revenue requirement amounts for the ROEs presented in the various scenarios, it does not mean to concede that its investors will actually have an opportunity to earn such returns, since the market returns produced by these revenue requirement amounts would be approximately 250 to 300 basis points lower than the book value returns reflected in the scenarios.

EXPLANATION OF HOW CALCULATIONS WERE PERFORMED

4. Attachment B contains a detailed explanation of how the calculations underlying the scenarios were performed.

EXPLANATION OF ASSUMPTIONS

5. Attachment B also sets forth any non-mathematical assumptions used in calculating the scenarios.

Respectfully submitted,

Michael C. Pendergast #31763
Associate General Counsel
Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
(314) 342-0532 Phone
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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by facsimile or hand delivered to all parties of record, on this 10th day of December, 1999.

Mark W. Comley

Requested Revenue Requirement Scenarios Summary
GR-99-315
In Thousands

	Scenario					
	A.1	**A.2**	**A.3**	**B.1**	**B.2**	**B.3**
ROE Assumption*	**9.70%**	**10.50%**	**12.75%**	**9.70%**	**10.50%**	**12.75%**
Staff's True-Up Revenue Requirement	$5,139	$5,139	$5,139	$5,139	$5,139	$5,139
Short-Term Debt to $58 Million	$1,154	$1,154	$1,154	$1,154	$1,154	$1,154
Imputed Off System Sales Revenue	($914)	($914)	($914)	($914)	($914)	($914)
Sub-Total Value	$240	$240	$240	$240	$240	$240
Revised Revenue Requirement Before Scenarios	$5,379	$5,379	$5,379	$5,379	$5,379	$5,379
<u>Scenario</u>						
Increase Return From 9.5%*	$960	$4,650	$15,014	$960	$4,721	$15,287
Cash Working Capital						
Revenue Collection Lag	$0	$0	$0	$1,407	$1,407	$1,407
Bad Debts Offset	$0	$0	$0	($267)	($267)	($267)
	$0	$0	$0	$1,140	$1,140	$1,140
Revenue Requirement	$6,339	$10,029	$20,393	$7,479	$11,240	$21,806
Depreciation - Net Salvage - Cash Flow Impact Only	$0	$0	$0	$2,162	$2,162	$2,162
Revenue Requirement - Including Above Cash Flow Effect	$6,339	$10,029	$20,393	$9,641	$13,402	$23,968

***Note that, subject to rounding, each 10 basis point (i.e. .10%) change in the return on equity recommendation is worth $462,000 in Scenario A and $471,000 in Scenario B, respectively.**

Attachment B

Explanation of Calculations

All calculations for the scenarios requested are based on the Staff's true-up accounting schedules ("EMS Run") filed on October 1, 1999, which indicated, based on the Staff's mid-point rate of return on equity of 9.5% (an 8.27% weighted average return on rate base), a revenue requirement of $5,139,000. The following changes are then made to the EMS run. All calculations include the effect of the adjustments on cash working capital and the income tax and bad debts gross-ups on the revenue requirement changes.

Short-Term Debt: The EMS run is adjusted to reflect $58 million in short-term debt in the capital structure, instead of the $79,429,667 embedded in the true-up schedules. This increases the revenue requirement by $1,154,000.

Off System Sales: The EMS run is adjusted to reflect $900,000 of imputed off system sales revenue. This decreases the revenue requirement by $914,000.

The net effect of the above two changes is to increase the revenue requirement by $240,000, from $5,139,000 to $5,379,000.

Advertising, Customer Annualization, and Depreciation on Gas Holders: The October 1, 1999 EMS run already reflects the Staff's position on these issues. As such, no revenue requirement change is necessitated by these assumptions.

Scenario A.1: With a 9.7% return on equity (an 8.48% weighted average return on rate base), a revenue collection lag of 25.4 days, and the Staff's net salvage calculations, the only change needed to the EMS run is to change the ROE to 9.7%. This increases the revenue requirement by $960,000, from $5,379,000 to $6,339,000.

Scenario A.2: With a 10.5% return on equity (an 8.90% weighted average return on rate base), a revenue collection lag of 25.4 days, and the Staff's net salvage calculations, the only change needed to the EMS run is to change the ROE to 10.5%. This increases the revenue requirement by $4,650,000, from $5,379,000 to $10,029,000.

Scenario A.3: With a 12.75% return on equity (a 10.08% weighted average return on rate base), a revenue collection lag of 25.4 days, and the Staff's net salvage calculations, the only change needed to the EMS run is to change the ROE to 12.75%. This increases the revenue requirement by $15,014,000 from $5,379,000 to $20,393,000.

Scenario B.1: With a 9.7% return on equity, a revenue collection lag of 34.8 days, and the Company's net salvage calculations, the following changes are made: 1) The ROE is changed to 9.7% (increases the revenue requirement by $960,000); 2) a revenue collection lag of 34.8 days is used to increase the overall revenue lag by 9.17 days, thus increasing the revenue requirement by $1,407,000 before a corresponding offset of $267,000 is made to reflect elimination of final balances relating to bad debt customers; and 3) the Company's depreciation rates are used for steel mains (1.43% from 1.28%), plastic mains (2.12% from 1.91%), steel services (3.92% from 3.55%), and plastic and copper services (3.20% from 2.61%). This has the effect of increasing the revenue requirement by $2,162,000. Overall, Scenario B.1 increases the revenue requirement by $4,262,000, from $5,379,000 to $9,641,000.

Scenario B.2: With a 10.5% return on equity, a revenue collection lag of 34.8 days, and the Company's net salvage calculations, the following changes are made: 1) The ROE is changed to 10.5% (increases the revenue requirement by $4,721,000); 2) a revenue collection lag of 34.8 days is used to increase the overall revenue lag by 9.17 days, thus increasing the revenue requirement by $1,407,000 before a corresponding offset of $267,000 is made to reflect elimination of final balances relating to bad debt customers; and, 3) the Company's depreciation rates are used for steel mains (1.43% from 1.28%), plastic mains (2.12% from 1.91%), steel services (3.92% from 3.55%), and plastic and copper services (3.20% from 2.61%). This has the effect of increasing the revenue requirement by $2,162,000. Overall, Scenario B.2 increases the revenue requirement by $8,023,000, from $5,379,000 to $13,402,000.

Scenario B.3: With a 12.75% return on equity, a revenue collection lag of 34.8 days, and the Company's net salvage calculations, the following changes are made: 1) The ROE is changed to 12.75% (increases the revenue requirement by $15,287,000); 2) a revenue collection lag of 34.8 days is used to increase the overall revenue lag by 9.17 days, thus increasing the revenue requirement by $1,407,000 before a corresponding offset of $267,000 is made to reflect elimination of final balances relating to bad debt customers; and, 3) the Company's depreciation rates are used for steel mains (1.43% from 1.28%), plastic mains (2.12% from 1.91%), steel services (3.92% from 3.55%), and plastic and copper services (3.20% from 2.61%). This has the effect of increasing the revenue requirement by $2,162,000. Overall, Scenario B.3 increases the revenue requirement by $18,589,000, from $5,379,000 to $23,968,000.