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August 23, 1999

Mr. Dale H. Roberts  
Secretary/Chief Regulatory Law Judge  
Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Laclede Gas Company**  
**Case No. GR-99-315**

**FILED**

AUG 23 1999


Missouri Public  
Service Commission

Dear Mr. Roberts:

Enclosed for filing please find the original and fourteen copies of **Office of the Public Counsel's Statement of Positions**. I have on this date mailed or hand-delivered copies to all counsel of record. Please "file" stamp the extra-enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

  
Douglas E. Micheel  
Senior Public Counsel

DEM/mk

Enclosures

cc: Counsel of Record

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

In the Matter of Laclede Gas Company's     )  
Tariff Sheets to Revise Natural Gas Rates    )  
Schedules.   )

Case No. GR-99-315

**FILED**  
AUG 23 1999  
Missouri Public  
Service Commission

**Office of the Public Counsel's Statement of Positions**

Comes now the Office of the Public Counsel and pursuant to the Commission's Order Modifying Procedural Schedule dated June 7, 1999 submits the following statement of positions with respect to the issues to be litigated in the above referenced proceeding:

**Rate Base/Income Statement Issues**

1.     Capacity Release Revenues. The Office of the Public Counsel recommends that the Commission impute \$3.4 million dollars of capacity release revenues in calculation of Laclede's revenue requirement in this case. (Shaw, Direct).

2.     Off-System Sales Revenues. Public Counsel recommends that the Commission impute \$2.4 million dollars of off-system sales revenues in calculation of Laclede's revenue requirement in this case. (Shaw, Direct).

3.     Year 2000 Accounting Authority Order. Public Counsel recommends no rate base or expense treatment of the deferred balance and discontinuation of utilizing an accounting authority order for Year 2000 costs. (Robertson Direct; Robertson Rebuttal and; Robertson Surrebuttal).

4.     Manufactured Gas Plant Accounting Authority Order. Public Counsel recommends no rate base or expense treatment of the deferred balance and discontinuance of

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utilizing of an accounting authority order for Manufactured Gas Plant costs. In the alternative, Company could be allowed to amortize and annualize a level of prudently incurred remediation expenditures over a reasonable time period, but not receive rate base recognition of a deferred balance. (Robertson Direct; Robertson Rebuttal and; Robertson Surrebuttal).

5. Safety Replacement Program Accounting Authority Order. Public Counsel recommends no rate base treatment of the deferred balance and discontinuance of the accounting authority order for the safety replacement program. Public Counsel recommends the Commission order Laclede to amortize the deferred balances over 20 years. (Robertson Direct; Robertson Rebuttal and; Robertson Surrebuttal).

6. Year 2000 Compliance Costs. Public Counsel recommends actual Year 2000 date field expansion compliance expenditures that were expensed during the period March through June 1998 shall have there accounting entries reversed then the costs shall be capitalized and subjected to the Commission approved depreciation rate. Year 2000 date field expansion compliance expenditures that were expensed during the period January through February shall not receive either rate base or expense treatment. (Robertson Direct; Robertson Rebuttal and; Robertson Surrebuttal).

7. Advertising. Public Counsel followed the traditional Commission KCPL standard in determining allowable advertising expense. Also Public Counsel has asked that all expenses recorded in Account 930.10, miscellaneous general expenses – corporate communications, be disallowed. This results in an adjustment of \$475, 082. 00 to the Company's cost of service. (Bolin Direct, pages 2-7; Bolin Rebuttal, all; Bolin Surrebuttal, all).

8. Cash Working Capital. The Office of the Public Counsel has taken no position on this issue at the current time and has filed no testimony. Public Counsel reserves the right to develop a position through cross-examination of witnesses and to brief this issue.

9. Depreciation. The Office of the Public Counsel has taken no position on this issue at the current time and filed no testimony. Public Counsel reserves the right to develop a position through cross-examination of witnesses and to brief this issue.

10. HVAC Revenues. The Office of the Public Counsel has taken no position on this issue at the current time and filed no testimony. Public Counsel reserves the right to develop a position through cross-examination of witnesses and to brief this issue.

11. Weather. The Office of the Public Counsel has taken no position on this issue at the current time and has filed no testimony. Public Counsel reserves the right to develop a position through cross-examination of witnesses and to brief this issue.

#### Return of Rate Issues

12. Return on Equity/Cost of Capital. Laclede should be allowed a 9.7% return on equity. Rate of return should be updated to account for changed in the levels of common equity, long term debt and short-term debt. (Burdette Direct; Burdette Rebuttal and; Burdette Surrebuttal).

13. Capital Structure. Public Counsel proposes to use the Company's actual capital structure. Both common equity and long term debt will be updated and increased by approximately \$25 million each to reflect recent issuances that occurred after the test year. Short-term debt will be calculated using the average-daily balance method rather than the end-of-month balance method. The dollar-level of short-term debt in the capital structure should not be

reduced by the amount of the recent common equity and long term debt issuances. (Burdette Direct; Burdette Rebuttal and; Burdette Surrebuttal).

### **Rate Design Issues**

14. Allocation of Rate Increase. In allocating the overall rate increase, Public Counsel recommends an equal percentage increase to all customer class revenue requirements. This increase should be made after the revenue neutral shifts recommended by OPC and is subject to the principal that no class should receive a net class revenue requirement decrease if other classes receive net increases in revenue requirements. Public Counsel has presented a detailed description about its method to allocate the overall revenue increase. (Hu, Direct p. 18).

15. Class Cost of Service Shifts. Public Counsel recommends the Commission order a revenue neutral shift that only goes, at most, halfway toward Public Counsel's class COS study results. (Hu, Direct pp. 14-15).

16. Recovery of Fixed Non-Gas Costs from General Service Customers. Public Counsel is strongly opposed Laclede's proposal to impose a demand charge on general service customers. This proposal should not be approved because of: (1) the imprecise method proposed by Laclede for estimating the demand levels on which the charge is based, (2) customer bill comprehensibility problems, (3) detriments associated with a diluted price signal for increased energy use, (4) Laclede's failure to acknowledge the need to adjust its recommended return on equity to reflect the reduced earnings volatility associated with its proposal, and (5) Laclede's inclusion in the demand charge of many costs that should not be classified as demand-related costs. (Kind Surrebuttal).

17. Residential Customer Charge. Public Counsel recommends lowering the residential customer charge from twelve dollars to ten dollars. (Hu, Rebuttal p. 2).

18. Separation of GS Rate into Residential Class and C&I Class. Public Counsel believes that the Commission should order that any class COS study filed in the future by Laclede in rate cases should include a separate residential and C&I class. (Hu, Surrebuttal p. 8-9, Direct p. 20).

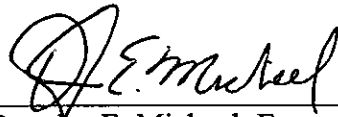
19. Separation of Rates into Gas and Non-Gas Component. Public Counsel joins the Staff in recommending that gas costs be removed from Laclede's base rates and instead be included in the Company's PGA/ACA cost. (Hu, Surrebuttal p. 9).

20. Seasonal Allocations. Public Counsel has not taken a position on this issue but reserves the right to develop a position via cross-examination and to brief this issue.

#### **Tariff Issues**

21. Description of Service Territory. Public Counsel has not taken a position on this issue but reserves the right to develop a position via cross-examination and to brief this issue.

Respectfully submitted,  
OFFICE OF THE PUBLIC COUNSEL



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Senior Public Counsel  
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## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed or hand-delivered to the following on this 23rd day of August, 1999:

Michael C. Pendergast  
Laclede Gas Company  
720 Olive St.  
St. Louis, MO 63101

Ronald K. Evans  
Union Electric  
P.O. Box 66149  
St. Louis, MO 63166

Robert C. Johnson  
Blackwell, Sanders, Peper & Landwehr  
720 Olive St., Suite 2400  
St. Louis, MO 63101

John D. Landwehr  
Cook, Vetter, Doerhoff & Landwehr  
231 Madison  
Jefferson City, MO 65102

Marc Poston  
Missouri Public Service Commission  
P.O. Box 360  
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Diana M. Schmidt  
Bryan Cave LLP  
211 N. Broadway  
St. Louis, MO 63102

Richard D. Perkins  
Diekemper, Hammond, Shinnors & Turcotte  
7730 Carondelet, Suite 200  
St. Louis, MO 63105

A handwritten signature in cursive script, appearing to read "J. E. Michael", is written over a horizontal line.