Missouri Public Service Commission

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September 1, 1999

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

RE: GR-99-315 - In the Matter of Laclede Gas Company's Tariff to Revise Natural Gas Rate Schedules

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **PARTIAL STIPULATION AND AGREEMENT.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Marc Poston

Marc Poston
Assistant General Counsel
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MP/jb
Enclosure
cc: Counsel of Record

FILED

SEP - 1 1999

Missouri Public Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

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 prefiling 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 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, Barnes-Jewish Hospital, Daimler Chrysler Corporation, Emerson Electric Company, and SSM Healthcare.

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. Laclede, the Commission Staff ("Staff"), and the Office of the Public Counsel ("Public Counsel") appeared at and participated fully in the prehearing conference. Other parties participated on a more limited basis. As a result of the prehearing conference and further discussions, the undersigned parties ("Parties") have reached the following stipulations and agreements.

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 $223,000 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 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 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 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 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.[1]

6. Nothing in this 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 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.

[1] 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.

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 Partial Stipulation and Agreement; (b) the prior adoption and continuation of the deferred accounting referenced in Paragraphs 4, 5 and 6 of this 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. 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.

11. None of the signatories to this 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 Partial Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein. Nothing in this Partial Stipulation and Agreement shall preclude the Staff in future proceedings from providing recommendations as requested by the Commission.

12. This 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 Partial Stipulation and Agreement by the issuance date of its Report and Order in this case, or approves this 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 Partial Stipulation and Agreement, then this Partial Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

13. In the event the Commission accepts the specific terms of this 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).

14. The Parties agree that all of the prefiled testimony submitted by Laclede, Staff, and Public Counsel relating exclusively to any issue resolved by this Partial Stipulation and Agreement shall be received into evidence without the necessity of their respective witnesses taking the stand.

15. 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 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 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 Partial Stipulation and Agreement. The Staff shall also have the right to provide, at any agenda meeting at which this 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 Partial Stipulation and Agreement~~, and authorizing the implementation thereof, including~~:

Respectfully submitted,

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General Counsel

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Laclede Gas Company
GR-99-315

Attachment 1

	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
Bad Debt Factor*	3	223
Settled Position		**223**

* 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.

** Amount remains in dispute as part of the weather normalization issue.

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

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 1st day of September 1999.

Marc Poston

SERVICE LIST FOR
CASE NO: GR-99-315
September 1, 1999

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