

In the Matter of the Application of Laclede)
Gas Company to Transfer an Asset to Spire) **Case No. GM-2017-0018**
Pipeline, Inc.)

COMES NOW Laclede Gas Company (“Laclede” or “Company”) and, pursuant to Sections 4 CSR 240-2.060, 4 CSR 240-3.210 and 4 CSR 240-40.015 of the Commission’s rules, files this application for authority to sell assets and for any necessary variance from certain requirements of the Commission’s affiliate transactions rules. In support thereof, Laclede respectfully states as follows:

1. Laclede is a public utility incorporated under the laws of the State of Missouri, with its principal office located at 700 Market 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-2013-0085 and is incorporated by reference herein for all purposes. The information in such Certificate is current and correct.

1

3 Communications in regard to this Application should be addressed to the persons below:

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rick.zucker@spireenergy.com

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4. Other than cases that have been docketed at the Commission, Laclede has no pending action or final unsatisfied judgment or decision against it from any state or federal agency or court which involve customer service or rates within the past three years of the date of this application.

BACKGROUND

5. As discussed more fully below, Laclede proposes to sell a certain segment of pipeline to Spire STL Pipeline LLC. The sale is part and parcel of a larger effort to bring new pipeline capacity to the St. Louis area that will provide Laclede's customers with enhanced access to a more diverse set of gas supply basins. Specifically, the sale of the line and its incorporation into a new interstate pipeline (the "Pipeline") serving the St. Louis area market will enable Laclede to bring natural gas from the existing REX pipeline in Scott County, Illinois, into its distribution system for service to the St. Louis metropolitan area and other counties in eastern Missouri. This additional pipeline capacity will give customers in the St. Louis market

enhanced access to low cost natural gas supplies from gas production fields in the prolific Marcellus and Utica shales fields in the Appalachian region in the Northeast, as well as various shale fields in the Rockies region.

6. The new pipeline capacity will also improve the reliability of Laclede's gas supply portfolio. Specifically, because the Pipeline will not traverse the New Madrid Seismic Zone (in contrast to much of the existing pipeline capacity serving the St. Louis area), it will be less exposed to damage from potential earthquakes. Given the significant potential for future earthquakes in the New Madrid Seismic Zone and the potential severity of the damage they could cause to pipeline facilities, this would constitute a meaningful reliability enhancement. More generally, it would also provide an alternative source of gas supply if compression failures, line breakage or other factors unrelated to a seismic event adversely affected the ability of Laclede's existing pipelines to transport and deliver gas supplies to the area.

THE PROPOSED SALE

5. Pursuant to the requirements of Commission Rule 3.210, Laclede provides the following information:

A. 3.210(1)(A) Description of the Property to Be Sold.

Laclede seeks authority from the Commission to sell and transfer to Spire STL Pipeline LLC ("STL Pipeline"), an affiliate of Laclede, approximately 8 miles of the easternmost 9 miles of existing 20 inch steel pipeline currently owned and operated by Laclede in North St. Louis County (the "880 Line Segment").¹ If the sale is approved by the Commission, the 880 Line Segment would then be incorporated into the Pipeline, which would, in turn, provide

¹This 880 Line Segment is identified as such because it has a maximum allowable operating pressure of 880 psig which is different from the rest of Laclede's pipeline systems. The 880 Line Segment was installed in 1961 and at 55 years old, is nearly fully depreciated. Because of its age and condition, it will likely need substantial updating and improvements in the not too distant future.

customers in the St. Louis area market with access to a more diverse set of supply basins over transportation routes that are less exposed to potential earthquake damage.² A more detailed description of the property, and any associated permits or certificates, is set forth in Exhibit 1, which is attached hereto and incorporated herein for all purposes.

B. 3.210(1)(B) Sale Agreement

Pursuant to 4 CSR 240-3.210(3), the final agreement under which Laclede would sell the 880 Line Segment to STL Pipeline will be furnished when available, and in any event prior to the granting of authority. Laclede proposes to sell the 880 Line Segment to STL Pipeline at its net book value as reflected on Laclede's books at the time the sale is completed. In exchange, STL Pipeline would include the 880 Line Segment in its Federal Energy Regulatory Commission ("FERC")-approved rates for transportation service at the same net book value, plus any reasonable costs expended to upgrade or improve the line segment (the "Cost") so that Laclede's customers would continue to receive the full financial benefit of its largely depreciated value.

C. 3.210(1)(C) Authorizations

Corporate authorization for the proposed sale, in the form of a copy of a resolution of Laclede's Board of Directors, is set forth in Exhibit 2, which is attached hereto and incorporated herein for all purposes.

D. 3.210(1)(D) Reasons Sale is not Detrimental to the Public Interest.

As discussed more fully in the direct testimony filed contemporaneously with this Application by Laclede and STL Pipeline, the proposed sale of the 880 Line Segment is not

² The 880 Line Segment would essentially be used to complete the last 8 miles or so of the pipeline to be constructed by STL Pipeline, in lieu of installing new pipeline facilities.

detrimental to the public interest, because it will contribute to the economic construction of new pipeline capacity that will:

(1). *Provide Laclede and its customers with additional service options for using existing capacity.* Transferring the 880 Line Segment will allow STL Pipeline to deliver gas not only to Laclede, but will also allow for a bi-directional interconnect to be made with Laclede's largest existing pipeline supplier, Enable MRT. In addition to further enhancing the pipeline grid reliability in and around the St. Louis area, this bi-directional feature will also provide Laclede with additional flexibility in managing its baseload gas supply by allowing it to better leverage its southbound capacity on Enable/MRT and the capacity it holds at Enable/MRT's Unionville storage facility.

(2). *Maintain all existing financial benefits of Laclede's current ownership of the 880 Line Segment.* As previously noted, the parties to the sale intend to include the 880 Line Segment in STL Pipeline's FERC rates for transportation service at Cost. In this way, Laclede's customers would continue to receive the full financial benefit of the 880 Line Segment's largely depreciated value. In the absence of the sale, STL Pipeline would likely construct incremental facilities to replace the 880 Line Segment. Building incremental facilities would be wasteful, environmentally detrimental, and would significantly increase the pipeline's cost, a cost which would be largely borne by the same Laclede customers who would receive service from the line. In addition, to the extent STL Pipeline's capital costs are increased, Laclede would pay in rates those costs plus STL Pipeline's FERC-approved cost of capital.

(3) *Maintain all existing service benefits of Laclede's current ownership of the 880 Line Segment.* The proposed transaction will provide Laclede primary firm rights on the

Pipeline for the 880 Line Segment, making pipeline capacity available to Laclede that is just as valuable to Laclede than if it continued to own the 880 Line Segment.

(4) *Allow Laclede to avoid the cost and responsibility of upgrading or improving the 880 Line Segment, and avoid the risk that accompanies ownership of such a high pressure line.* As noted above, the line is 55 years old, and is expected to require significant work in the not too distant future. By transferring the Line 880 Segment to STL Pipeline, Laclede avoids the responsibility for this work, and the cash demands of such a project.³ Further, as also noted above, the 880 Line Segment is the highest pressure line in Laclede's system and as such, carries a higher risk of loss should an incident occur. Transferring the Line 880 Segment to STL Pipeline allows Laclede to shift this risk.

(5) *Reduce the cost and rates of a new pipeline that, as previously discussed, will provide Laclede and its customers with access to a more diverse and reliable portfolio of gas supplies.*

Given all of these benefits and safeguards, Laclede submits that the proposed sale of the 880 Line Segment to STL Pipeline will not be detrimental to the public interest. To the contrary, it will provide significant financial, operational and risk-avoidance benefits for customers in the St. Louis area.

E. 3.210(1)(F) Tax Revenue Impact It is not anticipated that the transfer of the 880 Line Segment will have any material impact on the tax revenues of the political subdivisions in which the 880 Line Segment is located.

REQUEST FOR VARIANCE

³To the extent expenditures on this line qualified for ISRS, Laclede could more quickly recover its investment.

6. As previously discussed, Laclede proposes to sell the 880 Line Segment to its affiliate, STL Pipeline, at the net book value of the Line Segment at the time the sale is consummated. Because the sale is being made to another regulated entity -- namely, an interstate pipeline that is subject to rate and service regulation by the FERC -- Laclede believes there is a real question as to whether the Commission's affiliate transactions rules apply to the transaction since the rules were promulgated for the purpose of "prevent[ing] regulated utilities from subsidizing their *nonregulated* operations." Assuming the rules are applicable to the transaction, however, Laclede requests a variance from the asymmetrical pricing standards set forth in subsections (2) (A) of 4 CSR 240-40.015 and (3) (A) of 4 CSR 240-40.16, respectively.

7. Generally speaking, these subsections require that when a regulated utility sells an asset to an affiliate, it should price the asset at the higher of its fair market value or fully distributed cost to the utility. In this case, the fully distributed cost of the 880 Line Segment is its net book value of approximately \$50,000. A fair market value for the Line Segment, however, is extremely difficult to calculate given the fact that there is essentially no market for an isolated segment of pipeline that cannot be used for any meaningful business purpose. In fact, it only has value as a result of the proposed STL Pipeline and its potential use as a means for reducing the cost of the Pipeline by avoiding the need to construct new facilities. The value provided is based on Laclede's ability to transport gas for its distribution needs, and this ability is retained by Laclede for the benefit of its customers through its contractual capacity on the Pipeline.

8. To the extent that the 880 Line Segment's market value exists by virtue of its usefulness in reducing the cost of the commitment by STL Pipeline to include the 880 Line Segment in its FERC rates at net book value, such transfer ensures that its full "cost reducing"

value will be passed through to Laclede and its customers. As a result, this is not an instance where application of the asymmetrical pricing standards is necessary to protect utility customers from an inappropriate shifting of financial benefits from a utility's regulated operations to its unregulated operations. To the contrary, utility customers are being affirmatively benefitted by not only retaining the full financial value of the 880 Line Segment, but by also receiving the enhanced gas supply reliability and pricing opportunities afforded by STL Pipeline. Given these considerations, Laclede requests that the Commission approve the sale of the 880 Line Segment under the terms proposed herein and find that there is good cause to grant any variance from the requirements of subsections (2) (A) of 4 CSR 240-40.015 and (3) (A) of 4 CSR 240-40.016 that may be necessary in connection with such approval.

9. Laclede is unaware of any public utility that would be affected by the granting of such a variance.

WHEREFORE, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission issue its Order authorizing the sale of the 880 Line Segment on the terms and conditions set forth herein and grant any waiver from the requirements of its Affiliate Transactions Rules that Commission believes to be necessary to effectuate such sale.

Respectfully Submitted,

/s/ Rick Zucker

Rick Zucker, #49211

Associate General Counsel

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Certificate of Service

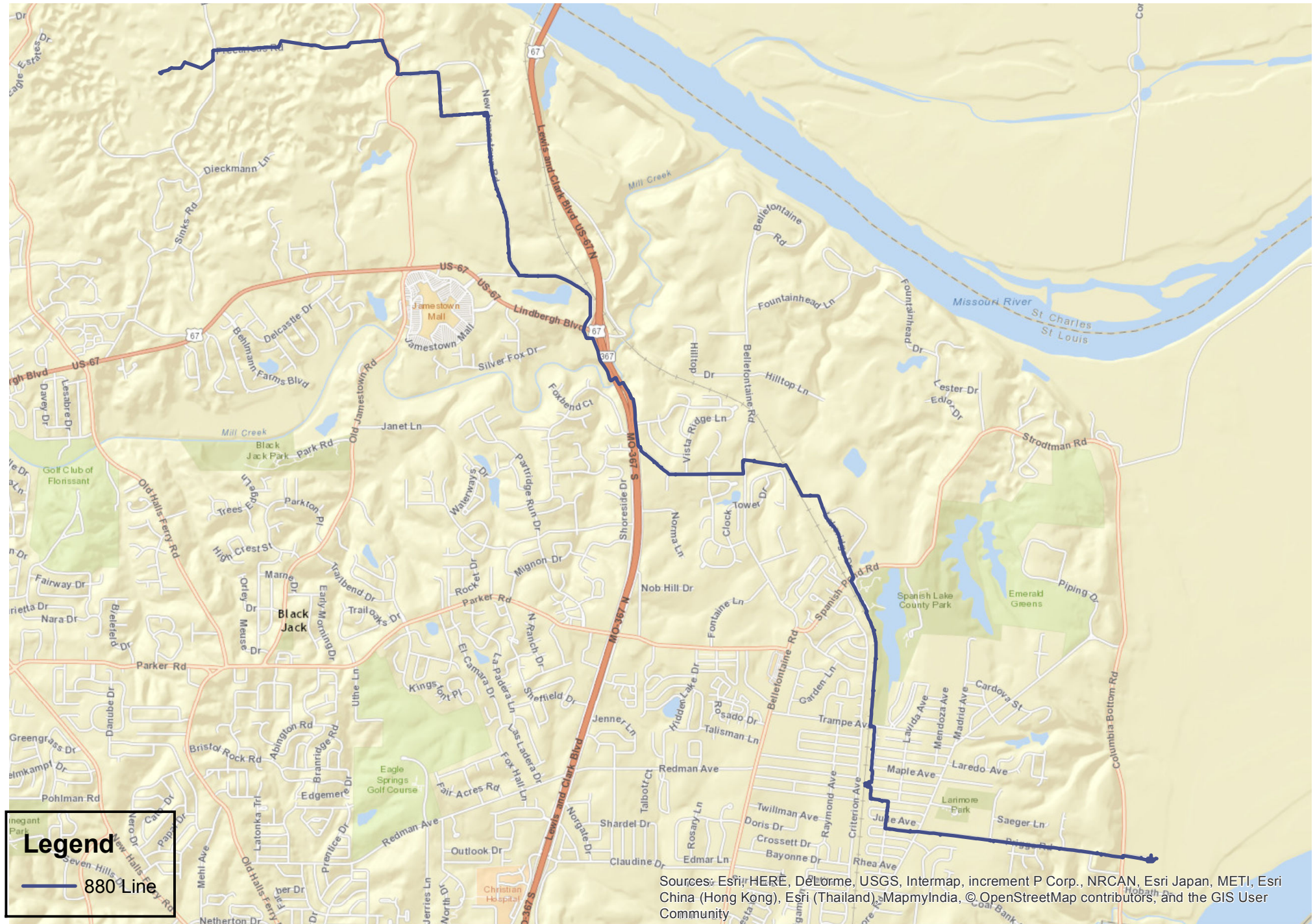
I hereby certify that copies of the foregoing have been emailed to Staff and Public Counsel on this 31st day of October, 2016

/s/ Marcia Spangler

880 Line Description


The 880 Line is a 20" diameter welded steel, natural gas pipeline that runs from the Chain of Rocks (COR) takepoint with Enable MRT on Riverview Blvd. north of I-270 in north St. Louis County, in a northwestwardly direction to Laclede Gas Company's Underground Storage Facility (UGS) on Sinks Road in Florissant, MO, also in north St. Louis County. The line was constructed and commissioned in 1961 for the purpose of injecting natural gas into Laclede's UGS Facility. Material is .344 inch welded steel line pipe with .125 inch coal tar enamel (CTE), milwrap coating. The maximum allowable operating pressure (MAOP) of the line is 880 psig. There is one regulator station off the line approximately half way between the COR takepoint and UGS known as Redman Station which is located on Bridgevale Avenue in Spanish Lake, MO. The purpose of that regulator station is to regulate transmission feeder (880 MAOP) pressure on the 880 Line down to supply feeder (300 MAOP) pressure.

880 Line



I, Ellen L. Theroff, Secretary of Laclede Gas Company, a Missouri corporation, do hereby certify that the attached are true and correct copies of resolutions adopted by the Board of Directors of said Corporation at its quarterly meeting on October 17, 2016, and that said resolutions are in full force and effect.

IN WITNESS WHEREOF, I have set my hand and the seal of Laclede Gas Company this 31st day of October, 2016.


Ellen L. Theroff
Corporate Secretary

Line 880 Resolutions

WHEREAS, this Corporation owns that certain approximately 8-mile-long natural gas pipeline located in the County of St. Louis, Missouri known as Line 880 ("Line 880");

WHEREAS, Line 880 is subject to the lien of this Corporation's Mortgage and Deed of Trust dated as of February 1, 1945 (such Mortgage and Deed of Trust, as supplemented and amended through the date hereof, being hereinafter referred to as the "Mortgage") or otherwise constitutes part of the collateral pledged by this Corporation under the Mortgage;

WHEREAS, Spire STL Pipeline LLC ("STL Pipeline") has applied to the FERC for authority to construct an interstate pipeline ("Pipeline") to bring natural gas from the REX Pipeline into the St. Louis area;

WHEREAS, STL Pipeline desires to acquire the Line 880 to be used in the final portion of the Pipeline in St. Louis County;

WHEREAS, this Corporation believes that it is in the best interest of this Corporation and its customers to transfer the Line 880 to STL Pipeline;

WHEREAS, this Corporation desires (1) to obtain the approval of the Missouri Public Service Commission ("MPSC") to transfer Line 880 to STL Pipeline; (2) to enter into an agreement with STL Pipeline ("Agreement") relative to Line 880, which Agreement will be subject to FERC approving construction of the Pipeline and the MPSC approving the transfer of the Line 880; and (3) that Line 880 be released from the lien of the Mortgage to allow the Corporation to close on the sale of Line 880 pursuant to the Agreement.

NOW, THEREFORE, BE IT RESOLVED: That the Board of Directors hereby authorizes and approves this Corporation's filing of an application with the MPSC seeking authority to transfer Line 880 to STL Pipeline and authorizes and approves management to obtain approval upon such terms and conditions as this Corporation's Chairman, Chief Executive Officer, President, Chief Financial Officer or any Senior Vice President shall approve.

NOW, THEREFORE, BE IT RESOLVED: That the Board of Directors hereby authorizes and approves this Corporation's execution of the Agreement to sell Line 880 for a purchase price of not less than the remaining net book value of Line 880, subject to the above-referenced approvals, and upon such terms, conditions and closing adjustments as this Corporation's Chairman, Chief Executive Officer, President, Chief Financial Officer or any Senior Vice President shall approve.

BE IT FURTHER RESOLVED that all of the actions heretofore taken on behalf of this Corporation in anticipation of the execution of the Agreement are hereby ratified, affirmed and approved.

BE IT FURTHER RESOLVED, that (a) UMB Bank & Trust, N.A., Trustee under the Mortgage (the "Trustee"), at the request of the Chairman, Chief Executive Officer, President, Chief Financial Officer or any Vice President of this Corporation, be, and hereby is, requested to

release from the lien of the Mortgage, pursuant to the provisions of Section 13.03 thereof (and on the basis of an appropriate corresponding waiver by this Corporation of the right of authentication and delivery of bonds as permitted under said Section 13.03, and particularly Clause 5(b) of said Section 13.03), all the right, title and interest of this Corporation in and with respect to the Subject Property; (b) the Chairman, Chief Executive Officer, President, Chief Financial Officer or any Vice President of this Corporation be, and each of them is, hereby separately authorized to make application to the Trustee pursuant to the provisions of Section 13.03 of the Mortgage to obtain the release of the Subject Property from the lien of the Mortgage; (c) the Chairman, Chief Executive Officer, President, Chief Financial Officer or any Vice President, the Corporate Secretary, or the Treasurer and Assistant Corporate Secretary of this Corporation be, and each of them is, hereby separately authorized to execute and deliver to the Trustee all certificates appropriate or required to obtain the release of Line 880 from the lien of the Mortgage; (d) Craig R. Hoeferlin be, and he hereby is, authorized to serve as Engineer to furnish the Engineer's Certificate required for obtaining such release; (e) Mark C. Darrell and Ellen L. Theroff be, and each of them is, hereby separately authorized to render the Opinion of Counsel required for the purpose of obtaining the release referred to in clause (a) above, and each of them is hereby separately appointed to act as Counsel for such purpose; (f) the Chairman, Chief Executive Officer, President, Chief Financial Officer or any Vice President, the Corporate Secretary, or the Treasurer and Assistant Corporate Secretary of this Corporation be, and each of them is, hereby separately authorized to do all acts and things and to execute such instruments and other documents, including, without limitation, any and all applications, certificates, notices, reports and requests, as may be necessary or appropriate in such officer's judgment to obtaining the release of Line 880 from the lien of the Mortgage.

BE IT FURTHER RESOLVED, that the Chairman, Chief Executive Officer, President, Chief Financial Officer or any Senior Vice President, the Corporate Secretary or the Treasurer and Assistant Corporate Secretary of this Corporation be, and each of them is, hereby separately (without the need for any countersignature) authorized to make, execute and deliver, or to cause to be made, executed and delivered, all agreements, deeds, documents, instruments and other papers and to do or cause to be done all acts or things on behalf of the Corporation, under its corporate seal or otherwise, as any of them may deem necessary or appropriate to effectuate the intent of any and all of these resolutions.

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

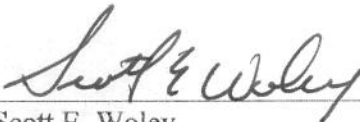
In the Matter of the Application of Laclede)
Gas Company to Transfer an Asset to Spire) Case No. GM-2017-0018
Pipeline, Inc.)

VERIFICATION

STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

Scott E. Woley, of lawful age, being first duly sworn, on his oath states that he is Vice-President Gas Supply and Operations of Laclede Gas Company, the applicant in the foregoing Application; that he has read said Application and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.

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Scott E. Woley

Subscribed and sworn to before me this 31st day of October, 2016.

Notary Public, State of Missouri