

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

AREA CODE 314
342-0513

FILED

MAR 31 1987

PUBLIC SERVICE COMMISSION

GERALD T. MCNEIVE, JR.
ASSOCIATE GENERAL COUNSEL

March 31, 1987

Mr. Harvey G. Hubbs
Secretary
Missouri Public Service
Commission
P.O. Box 360
Jefferson City, Missouri 65102

Re: Case No. AO-87-48 - In the matter of the investigation of the revenue effects upon Missouri utilities of the Tax Reform Act of 1986.

Dear Mr. Hubbs:

Enclosed for filing with the Commission find an original and 14 copies of Laclede Gas Company's Informational Response to Union Electric Company's Motion To Revise Rate Phase-In Plan, And To Allow Tariffs To Become Effective On Less Than 30 Days Notice filed in this proceeding. Please see that this filing is made and brought to the attention of the Commission.

Also enclosed please find an additional copy of the above Response to be stamped and returned in the enclosed pre-addressed stamped envelope.

Very truly yours,


Gerald T. McNeive, Jr.

GTM:sl1

Enclosures

cc: All Parties of Record

H.D.

FILED

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

MAR 31 1987

PUBLIC SERVICE COMMISSION

In the matter of the investi-)
gation of the revenue effects)
upon Missouri utilities of)
the Tax Reform Act of 1986.)

Case No. AO-87-48

INFORMATIONAL RESPONSE OF LACLEDE GAS COMPANY TO UNION ELECTRIC
COMPANY'S MOTION TO REVISE RATE PHASE-IN PLAN, AND TO ALLOW
TARIFFS TO BECOME EFFECTIVE ON LESS THAN 30 DAYS NOTICE

Comes now Laclede Gas Company ("Laclede"), by its attorneys, and for its Informational Response to Union Electric Company's ("UE") Motion to Revise Rate Phase-in Plan, And To Allow Tariffs To Become Effective On Less Than 30 Days Notice ("Motion"), respectfully states to the Commission that:

1. The purpose of Laclede's Response herein is simply to inform. In the interest of not creating an obstacle to the consumers' enjoyment of a reduced phase-in increase, Laclede will not object to, or otherwise oppose, UE's instant Motion, nor will it seek suspension of UE's Tariffs or request a hearing with regard thereto. Laclede's failure to formally oppose such Motion should not be construed as acquiescence in, waiver, or approval by Laclede with respect to the rates, charges, or the design of the tariffs subject of UE's Motion. Laclede specifically reserves its right to oppose or otherwise challenge those matters in any other proceeding involving or related to UE's rates and charges or their design.

2. Laclede is a natural gas distribution company, subject to the Commission's jurisdiction and is a party to Case No. AO-87-48. Furthermore, Laclede and UE compete in sales of energy for space heating, water heating, cooking and similar

uses. The Commission has recognized Laclede's interest in UE's design of its rates and charges in prior UE rate proceedings and has granted Laclede's intervention in such proceedings including UE's most recent general rate proceeding (the "Callaway Case") (Case Nos. EO-85-17 and ER-85-160) wherein Laclede actively participated in the issue of a reasonable UE rate for residential space heating.

3. In that regard, the Commission Callaway Case Report and Order's (the "Order") overall discussion of Residential Rate Structure expressed the following conclusion:

"The summer/winter tail block differential ["differential"] will move in equal increments from the current 97 percent to the final 75 percent each year of the eight-year phase-in period. Each year rates for summer and winter tail block will be adjusted accordingly."1/

The following chart, which appeared at page 200 of such Order, reflects the yearly change in rates and differential specified:

	<u>Current</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>
Winter Initial Block Rate	4.75c	5.50c	5.99c	6.34c	6.69c	7.04c	7.39c	7.70c	8.00c
Summer/ Winter Differen- tial	97.00%	94.25%	91.50%	88.75%	86.00%	83.25%	80.50%	77.75%	75.00%
Customer Charge	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75

4. The tariff sheets ("Tariffs") attached to UE's motion intended to implement the proposed Tax Reform Act of 1986

1/ Commission's Report and Order, Case Nos. ER-85-160 and EO-85-17, page 172.

("TRA") adjustments to years 3 through 6 of UE's phase-in rate increases are not in accord with the summer/winter differentials specifically mandated by the Commission Order quoted above. Instead, as shown below, the proposed UE residential rates result in differentials which are contrary to those specified in the Order:

	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>
Commission Ordered Differential	88.75%	86.00%	83.25%	80.50%
UE Proposed Differential 2/	88.86%	87.87%	85.38%	83.43%

The even, 2.75% yearly decrease in differential mandated by the Commission has been replaced in UE's proposal by uneven, smaller yearly declines lower than that required by the schedule of rate relationships mandated by the Commission's Order. Therefore, Laclede specifically reserves its right to challenge such rate design in any appropriate future UE proceeding.

Respectfully submitted,

Donald L. Godiner (by gtm)
 Donald L. Godiner #24015
 Vice President and General Counsel

Gerald T. McNeive, Jr.
 Gerald T. McNeive, Jr. #19649
 Associate General Counsel

2/ The proposed differential is calculated by subtracting the UE proposed winter energy rate's second step from the UE proposed summer energy rate and dividing that result by such winter energy rate's second step.

LACLEDE GAS COMPANY
720 Olive Street-Room 1528
St. Louis, MO 63101
(314) 342-0513

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing instrument was served upon the attorneys of record of all parties of the above cause by enclosing the same in an envelope addressed to such attorneys at their business address as disclosed by the pleadings of record herein with postage fully prepaid, and by depositing said envelopes in the United States mail in St. Louis, Missouri, this 31st day of March, 1987.

Gerald M. New