

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

In the Matter of Laclede Gas Company's Verified)	
Application for Authority to Issue and Sell)	
First Mortgage Bonds, Unsecured Debt and)	
Preferred Stock, in Connection with a Universal)	Case No. GF-2009-0450
Shelf Registration Statement, to Issue Common)	
Stock and Receive Capital Contributions, to Issue)	
and Accept Private Placement Securities, and to)	
Enter Into Capital Leases, all in a Total Amount)	
Not to Exceed \$600 Million)	

**LACLEDE GAS COMPANY'S
PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Pursuant to the Briefing Order in this case, presented below are Laclede Gas Company's ("Laclede" or "Company") Proposed Findings of Fact and Conclusions of Law. For the Commission's convenience, Laclede has also provided proposed Ordered sections consistent with these Proposed Findings of Fact and Conclusions of Law.

Findings of Fact

Based on the competent and substantial evidence on the record, the Commission finds that:

1. Laclede Gas is a public utility and gas corporation subject to this Commission's regulatory jurisdiction.
2. On June 30, 2009, Laclede filed a Verified Application in which it sought Commission authorization, for a three year period, to issue and sell first mortgage bonds, unsecured debt and preferred stock, to issue common stock and receive capital contributions, to issue and accept private placement investments, and to enter into capital leases, all in a total amount not to exceed \$600 million. (Exh. 1; Exh. 2, pp. 2-3).
3. Based on its analysis of Section 393.200, and an application of sound regulatory policy,

the Company subsequently modified its request and is now seeking authority to issue an amount within a range of \$520-600 million of the foregoing instruments over the next three years. The Company has also proposed that the Commission continue those conditions which it has previously approved to ensure that such flexibility is exercised by the Company in a manner that adequately safeguards the interests of its utility customers. These conditions include: (1) a requirement that the total amount of long-term debt issued and outstanding at any given time not exceed the lesser of: (a) the value of Laclede's regulated rate base or (b) an amount equal to 65% of Laclede's capital structure; (2) a requirement that Laclede conduct its financings in such a way so as to maintain an investment grade credit rating; and (3) a requirement that any proceeds from any of the financing instruments issued under such authority be used solely for the benefit of the Company's regulated operations. (Exh 2, pp. 8-9). In response to the concerns raised by the Commission Staff in this proceeding, Laclede has also recommended that any preferred stock issuances or capital leases entered into under such authority count as debt, and be made subject to these conditions.

4. The Commission finds that the \$520-600 million range in financing authority requested by the Company is supported by combining the amount of the long-term bonds that will expire during the three-year period (Exh. 1, Sch. 2, p. 2; Exh. 8HC, Sch. 1), the unreimbursed capital expenditure quantification amounts set forth in Exhibit 3 to the Company's Application (Exh. 1 and Exh 5), the projected needs for capital expenditures (Exh. 8HC, Sch. 1), as adjusted to eliminate the application of funds from operations as an offset to those expenditures (Exh. 4, pp. 7-8), and, as discussed below, a relatively modest additional amount to ensure that the Company has the appropriate level of

flexibility to react to unforeseen circumstances, such as market disruptions and market opportunities. (Exh. 2, pp. 9-16)

5. The Commission further finds that such amounts are appropriate because the Company has used such flexibility in a prudent and responsible manner in the past and demonstrated that such financing flexibility is and can be critical if the Company is to obtain capital quickly and on favorable financing terms during periods of rapid change in the credit markets. The Company's ability to issue \$80 million in First Mortgage Bonds in 2008 right before the interest rate on such instruments soared by nearly 250 basis points in less than a month is a prime example of the value of such flexibility. (Exh. 2, pp. 10-11).
6. The Commission further finds that such financing flexibility afforded by the Commission's existing conditions provides the Company with a greater ability to weather disruptions in the credit markets or external factors that can suddenly drive up the cash resources necessary to meet its public utility obligations; an attribute that is critical to ensuring safe and adequate service for utility customers. (Exh. 2, pp. 12-13).
7. Finally, the Commission finds that continuation of the existing conditions and the flexibility they provide is also far more consistent with the real nature and magnitude of the Company's longer-term financing obligations in that they do not artificially exclude regulatory assets that, while non-capital in nature, must still be financed over extended periods of time. (Exh. 4, pp. 5-6)

Conclusions of Law

The Commission reaches the following conclusions of law:

1. Continuation of the Commission's existing conditions for determining the amount of

long-term debt that Laclede may issue is consistent with Section 393.200 because it recognizes, as does the statute, that financing proceeds can be used to pay for unreimbursed capital expenditures, does not artificially reduce the financing authorization permitted by the statute by applying all funds from operation to future capital expenditures and does not draw the kind of artificial distinction between debt and equity inherent in Staff's proposal to limit any debt issuances to \$100 million.

2. The Commission further concludes that since Staff has recommended that the Commission approve \$600 million in financing authority for the Company, presumably, on the basis that the granting of such financing authority is consistent with Section 393.200.1, there can be no dispute over the propriety and lawfulness of the modified amount now being requested by the Company or the even lower long-term debt amount that Laclede would be authorized to issue under the Commission's existing conditions.

IT IS THEREFORE ORDERED BY THE COMMISSION:

1. That the Company be authorized to issue and sell debt securities, solicit and accept private placements, enter into capital leases, issue common stock and receive paid-in capital in an aggregate amount not to exceed \$600¹ million at any time, or from time to time, for three years from the effective date of the Commission's Order, provided that the total amount of the long-term debt, private placements, capital leases, and preferred stock issued and outstanding under such authority shall not, at any time during the period covered by this authorization exceed the lesser of the value of Laclede's regulated rate base or 65% of the Company's capital structure, as such conditions have previously been defined in Case No. GM-2001-342 and GF-2007-0220 and, provided further, that the

¹ Laclede's insertion of \$600 Million in these ordered paragraphs does not alter its modified request for authorization in the range of \$520-600 million.

Company shall not be authorized to use any portion of the \$600 million for any purpose other than for the exclusive benefit of Laclede Gas Company's regulated operations, as such purposes are specified in Section 393.200 or use such authority in a manner that would prevent the Company from maintaining an investment grade credit rating.

2. That the current Commission Authority under Case No., GF-2007-0220 shall be superseded by the Commission Authority under Case No. GF-2009-0450.
3. That, if and when the individual debt securities are issued under this Application, the Company shall submit a verified report to the Commission's Internal Accounting Department documenting such issuance, the use of any associated proceeds and the applicability and measure of fees under Section 386.300.2. The Company shall also submit to the Commission's Internal Accounting Department by December 31st of each year an annual report stating the value of its new capital leases entered into in the immediately preceding fiscal year.
4. That the Company shall also be required to file with the Commission all final terms and conditions on these financings including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, portion subject to the fee schedule and loan or indenture agreement concerning each issuance.
5. That if debt securities are set at a fixed rate, the interest rate shall not exceed a rate equal to the greater of 300 basis points above the yield on a United States Treasury security with a comparable maturity at the time of the issuance of the Debt or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers. If a variable rate is set, the basis for determining the interest rate shall be defined at the time of issuance, along with any maximum or minimum interest rates that

may be specified for that series; provided, however, that the initial interest rate will not exceed a rate equal to the greater of 300 basis points above the yield on a United States Treasury security with a maturity comparable to the period that the initial interest rate would be in effect, or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers.

6. That the Company shall submit to Staff and Public Counsel any information concerning communications with credit rating agencies concerning individual debt securities issued under this Application.
7. That the Company shall file with the Commission any credit rating agency reports issued specifically on the Company, the Company's debt issuances, or on the Laclede Group, provided that Laclede has received such report and that Laclede has been able to obtain permission from the relevant agency to provide such report to the Commission.
8. That nothing in the Commission's order shall be considered a finding by the Commission of the value of these transactions for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.
9. In seeking a renewal of the authority granted in this case, Laclede and Staff shall operate under the general time frames set forth for financing cases in the 2004 case management roundtable project.
10. That the amounts of money, property or labor to be procured or paid by the issuance of such stock, bonds, notes or other evidences of indebtedness are reasonably required for the purposes specified herein and are not in whole or in part reasonably chargeable to operating expenses or income.