

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY**

June 8, 2000

CASE NO: GO-2000-395

Office of the Public Counsel
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St. Louis, MO 63102-2750

Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 8th
day of June, 2000.

In the Matter of Laclede Gas Company's Gas) Case No. GO-2000-395
Supply Incentive Plan (GSIP II).) Tariff No. 200000686

ORDER APPROVING UNANIMOUS STIPULATION AND AGREEMENT

On February 1, 2000, Laclede Gas Company (Laclede) filed its P.S.C. Mo. No. 5 Consolidated, Fourth Revised Sheet No. 28-a, with a proposed effective date of March 3, 2000. The purpose of the revision was to extend the term of the Gas Supply Incentive Plan (GSIP II) from the current expiration date of September 30, 2000, to September 30, 2001, and to modify the circumstances under which the GSIP II could be modified or terminated. On January 11, 2000, the Commission issued an Order Opening Case and Directing Notice, inviting interested parties wishing to intervene to file an appropriate application on or before February 10, 2000.

A timely application to intervene was received from Adam's Mark Hotels, Alcoa Foil Products (Alumax, Inc.), Anheuser-Busch Cos., Inc., The Boeing Company, Ford Motor Company, General Motors Corporation, Hussman Refrigeration, Mallinckrodt, Inc., MEMC Electronic Materials, Inc., Monsanto Company, Procter & Gamble Manufacturing Company, Ralston Purina Company, and Solutia, collectively known as the Missouri

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Industrial Energy Consumers (MIEC). The Commission granted intervention to MIEC in an order issued on February 24, 2000.

The Staff of the Missouri Public Service Commission (Staff) filed a Memorandum and Recommendation on February 15, 2000, recommending that the proposed revised tariff sheets be suspended at least until after the conclusion of the current legislative session, and that a prehearing conference be scheduled. On February 16, 2000, the Commission issued a Notice Shortening Time in Which to Respond, directing that any response to Staff's recommendation must be filed on or before 3:00 p.m. on February 24, 2000. Laclede filed a response to Staff's Memorandum and Recommendation on February 24, 2000.

On February 29, 2000, the Commission issued an Order Suspending Tariff and Setting Prehearing Conference. The Commission suspended the proposed tariff sheet for a period of 120 days beyond March 3, 2000, to July 1, 2000. the Commission also scheduled a prehearing conference for March 10, 2000. The prehearing conference was held on March 10, 2000.

On April 20, 2000, Laclede, Staff, the Office of the Public Counsel (Public Counsel), and MIEC filed a Unanimous Stipulation and Agreement (Agreement). Among other things, the Agreement provides that the GSIP II shall be extended for an additional one-year term, commencing October 1, 2000, subject to the terms and conditions set forth in the Agreement. The Agreement also addresses the maximum level of savings and/or revenues that Laclede may retain under the provisions of the GSIP II for the twelve-month period ending September 30, 2001, the issue of a possible new contract for pipeline transportation service between

Laclede and Mississippi River Transmission Corporation, mandatory fixed rate trigger for gas supply commodity costs, and the company's provision of various information previously requested by Staff or to be requested in the future. The parties state that the Agreement disposes of all the identified issues in the case. Contingent upon the Commission's acceptance of the Agreement, the parties waived their rights to cross-examine witnesses, to present oral arguments or briefs, to have the transcript read by the Commission, and to judicial review. The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of issues raised in this case pursuant to Section 536.060, RSMo Supp. 1999.

On May 2, 2000, Staff filed a memorandum in support of the Agreement. On May 9, 2000, Laclede filed a Response to Staff Memorandum. In its response, the company notes that although it does not share the Staff's concerns, it is committed to making a good faith effort to develop an overall incentive plan that all parties can agree to at the conclusion of the proposed one-year extension.

The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the Agreement.

The Commission has reviewed the Stipulation and Agreement, Staff's memorandum in support, Laclede's response, and the official file.

The Commission finds that the Unanimous Stipulation and Agreement should be approved.

IT IS THEREFORE ORDERED:

1. That the Unanimous Stipulation and Agreement filed on April 20, 2000, by Laclede Gas Company, the Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and the Missouri Industrial Energy Consumers, is approved as a resolution of all issues in this case. (See Attachment 1).

2. That Laclede Gas Company shall file tariff sheets consistent with the approved Unanimous Stipulation and Agreement no later than June 19, 2000.

3. That this order shall become effective on June 20, 2000.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray, and Simmons, CC., concur
Schemenauer, C., dissents

Ruth, Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

APR 20 2000

In the Matter of Laclede Gas Company's)
Gas Supply Incentive Plan (GSIP II))

Case No. GO-2000-395 Missouri Public
Service Commission

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Laclede Gas Company ("Laclede" or "Company"), the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel") and the Missouri Industrial Energy Consumers ("MIEC") and represent to the Missouri Public Service Commission ("Commission") that they have reached a Unanimous Stipulation and Agreement (hereinafter "Stipulation") in the above-captioned case. For their Stipulation, the Parties state as follows:

1. On February 1, 2000, Laclede filed a revised tariff sheet for the purpose of extending the term of the Company's Gas Supply Incentive Plan ("GSIP II") and extending to all parties the right to seek a termination or modification of the incentive plan should an unusual and unforeseen event occur that would have a significant impact on purchased gas costs. In addition, the revised tariff language also specified that the Commission could suspend the GSIP II in the event, and at such time as, legislation materially affecting the operation of the GSIP is passed by the General Assembly and implemented in accordance with the terms of such legislation. The revised tariff sheet contained a proposed effective date of March 3, 2000.

2. On February 10, 2000, an application to intervene was filed on behalf of the members of MIEC, including Adam's Mark Hotels, Alcoa Foil Products (Alumax, Inc.), Anheuser-Busch Cos., Inc., The Boeing Company, Ford Motor Company, General

Motors Corporation, Hussman Refrigeration, Mallinckrodt, Inc., MEMC Electronic Materials, Inc., Procter & Gamble Manufacturing Company, Ralston Purina Company, and Solutia. This application to intervene was subsequently granted by the Commission by Order dated February 24, 2000.

3. On February 15, 2000, the Staff filed its Memorandum and Recommendation in the above-captioned case in which it recommended that Laclede's revised tariff sheet be suspended. Responses supporting and opposing Staff's Recommendation were subsequently filed by Public Counsel and Laclede, respectively.

4. On February 29, 2000, the Commission issued its Order Suspending Tariff and Setting Prehearing Conference in which it suspended the Company's revised tariff sheet for 120 days beyond March 3, 2000. The Commission also scheduled a prehearing conference for March 10, 2000 so that the Parties could discuss their positions on this matter and their expectations regarding the course this case should take. As a result of those discussions, the undersigned Parties have agreed to a resolution of all of the issues in this case, and hereby submit the following stipulations and agreements for the Commission's consideration:

(a) Laclede's GSIP II shall be extended for an additional one year term commencing October 1, 2000, subject to the terms and conditions set forth herein and in the specimen tariff sheets contained in Attachment 1, hereto. Laclede shall have the right to seek additional extensions of the GSIP II (and the other Parties shall have the right to recommend alternative courses of action) in the event the Parties are unable to reach agreement on a mutually acceptable incentive plan for the period after September 30, 2001 as a result of the good faith negotiations referenced in paragraph 4 (d). The

Parties recommend that the Commission approve this Unanimous Stipulation and Agreement and order the filing of tariff sheets consistent with those contained in Attachment 1, to become effective on or before July 1, 2000.

(b) The Parties agree that the maximum level of savings and/or revenues that Laclede may retain under the provisions of the GSIP II for the twelve month period ending September 30, 2001 shall be \$9.0 million, and that the maximum level of savings retained by Laclede under the gas procurement section of the GSIP II (Section D.1.c) shall not exceed \$5.3 million for this same period. Consistent with paragraph 5 of this Stipulation, the Parties further agree that the use of such caps on the level of earnings retained by the Company during the one-year extension period is not intended to establish any precedent for the future and is not intended to be binding on any party for any period prior to or following the one-year extension period.

(c) The Parties agree that in the event a new contract for pipeline transportation service between Laclede and Mississippi River Transmission Corporation ("MRT") is negotiated and becomes effective prior to September 30, 2001, that such contract shall, during the one-year extension period only, be excluded from the pipeline discount (Section D.1.b) and mix of pipeline services (Section D.1.d) provisions of the GSIP II. The Parties further agree that the Company's actions in connection with these excluded elements shall be evaluated during this period in accordance with the prudence review standards and procedures in place prior to the GSIP. Nothing herein shall prejudice the Company's right in the event of a new MRT contract to seek inclusion of any savings associated with these excluded elements as part of any new incentive plan, or at an earlier date provided that the Company obtains, through good faith negotiations, a

joint recommendation with Staff and Public Counsel that such earlier inclusion is appropriate. Notwithstanding implementation of any new MRT contract, the Company shall also continue to share in capacity release revenues involving MRT, to the extent that any new contract with MRT does not increase Laclede's Maximum Daily Quantity entitlement from MRT above its current level.

(d) The Company agrees to participate with Staff and Public Counsel in a good faith effort to negotiate and implement a mandatory fixed rate trigger for gas supply commodity costs, on the understanding that the overall objective will be to develop a mutually acceptable and workable multi-year incentive program.

(e) Without establishing any precedent for the future, the Company agrees to provide Off-System Sales/Utilicorp information previously requested in data requests (numbers 5012, 5013, 5014 and 5015) submitted by Staff. The Company also agrees to provide all relevant and material data requested by Staff related to GSIP II from the present through the completion of the one-year extension of the program, provided that such requests shall be subject to applicable rules of discovery. The Company shall not be obligated to provide contemporaneous information regarding the status of any negotiations with MRT.

5. This Stipulation represents a negotiated settlement for the purpose of disposing of all of the identified issues in this case. None of the Parties to the Stipulation shall be deemed to have approved or acquiesced in any ratemaking, procedural or legal principle, any method of cost determination or cost allocation, any specific incentive program structure, or any service or payment standard, and none of the Parties shall be

prejudiced or bound in any manner by the terms of this Stipulation in any other proceeding, except as otherwise expressly specified herein.

6. Staff shall submit to the Commission a memorandum explaining its rationale for entering into this Stipulation. Each Party of record shall be served with a copy of any such memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which 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 any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation. 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 Stipulation, whether or not the Commission approves and adopts this Stipulation.

7. The Staff shall have the right to provide, at any agenda meeting at which this Stipulation 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 the 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 in this case.

8. The agreements contained in this Stipulation have resulted from extensive negotiations among the Parties and are interdependent. In the event the Commission does not approve or adopt the provisions of this Stipulation in total by June 15, 2000, then this Stipulation shall be void and no signatory shall be bound by any agreements or provisions hereof.

9. To assist the Commission in its review and consideration of this Stipulation, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the Parties relating to the matters addressed in this Stipulation, including any procedures for furnishing such information to the Commission.

WHEREFORE, the signatories hereto respectfully request that the Commission approve this Unanimous Stipulation and Agreement as expeditiously as possible following the filing of Staff's Memorandum, and order the filing of tariff sheets consistent with the attached specimen tariff sheets, to become effective on or before July 1, 2000.

Respectfully submitted,

by D.L.F.
Michael C. Pendergast

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by D.L.F.
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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 20th day of April 2000.

Dennis L. Frey

Attachment 1
To
Unanimous Stipulation and Agreement
Case No. GO-2000-395

Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

D. Gas Supply Incentive Plan

2. The debits and credits to the IA Account shall be allocated to the applicable customer classifications, based on the volumes sold and/or transported during the ACA period. Debits from item 1.b. and 1.d. shall be allocated to the Company's firm sales and firm transportation customers consistent with the allocation of capacity reservation charges set forth in Section A.2.b. The debit or credits from item 1.c. shall be allocated to the Company's on-system firm sales only.

3. For each ACA year, the debits and credits recorded in the IA Account including any balance from the previous year shall be accumulated to produce a cumulative balance of incentive adjustments. For purposes of computing new ACA factors for the subsequent twelve-month period beginning with the effective date of the Winter PGA, such cumulative incentive adjustment balances shall be combined with the appropriate Deferred Purchased Gas Costs Account balances. The Company shall separately record that portion of ACA revenue recovery which is attributable to recovery of the IA Account balances. Any remaining balance shall be reflected in the subsequent ACA computations.

4. If an unusual event occurs which would have a significant adverse impact on purchased gas costs, such as, an act of God, a significant change in federal or state laws or regulations, including tax laws, or a significant change in gas supply market or system operating conditions, the Company reserves the right at any time to make a filing seeking to either terminate or modify the GSIP, including modification to the Base Period Cost described in 1.d. above.

5. Unless terminated in accordance with Section D.4., the GSIP shall continue in effect through September 30, 2001, subject to the following terms and conditions which shall become effective October 1, 2000:

DATE OF ISSUE

2000

Month Day Year

DATE EFFECTIVE

2000

Month Day Year

ISSUED BY

K.J. Neises,

Senior Vice President,

720 Olive St., St. Louis, MO 63101

Name of Officer

Title

Address

Attachment 1

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Laclede Gas Company

Name of Issuing Corporation or Municipality

For

Refer to Sheet No. 1

Community, Town or City

SCHEDULE OF RATES

D. Gas Supply Incentive Plan

- a. With respect to Section D.1.a., the Company shall continue to share in capacity release revenues to the extent that the maximum daily quantities ("MDQs") of the Company's firm transportation contracts with Mississippi River Transmission Corporation ("MRT") do not exceed the Company's MDQs on MRT during the 1998-1999 ACA period.
- b. With respect to Sections D.1.b. and D.1.d., MRT shall be excluded from the pipelines that are covered by such sections.
- c. With respect to Section D.1.c.(viii), the combined impact on the IA and IR accounts shall not exceed \$5,300,000 for the twelve month period ending September 30, 2001.
- d. If the sum of the credits to the IR Account described in Sections D.1.a. through D.1.d., before the adjustment described in this paragraph, exceed \$9.0 million for the twelve month period ending September 30, 2001, such credits and related accounting entries shall be adjusted proportionately so that the total of such credits, after adjustment, equal \$9.0 million for such period.
- e. If an unusual and unforeseen event occurs which would have a significant impact on purchased gas costs, such as, an act of God, a significant change in federal or state laws or regulations, including tax laws, or a significant change in gas supply market or system operating conditions, the Company, Commission Staff, the Office of the Public Counsel and any other proper party shall have the right at any time to make a filing seeking to either terminate or modify the GSIP, including modifications to the Base Period Cost described in 1.d. above, provided that such filing shall not seek to terminate or modify in any manner, either directly or indirectly, the maximum amounts by which the Company may credit the IR account pursuant to Sections D.5.c. and d. The operation of the GSIP may also be suspended by the Commission, pending further action by the Commission on whether to terminate or modify the GSIP, in the event and at such time as legislation materially affecting the operation of the GSIP is passed by the Missouri General Assembly and implemented in accordance with the terms of such legislation.

DATE OF ISSUE

2000

Month Day Year

DATE EFFECTIVE

2000

Month Day Year

ISSUED BY

K.J. Neises,

Senior Vice President,

720 Olive St., St. Louis, MO 63101

Name of Officer

Title

Address

Attachment 1

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Att/Sec'y:

Ruth Hoyle

Date Circulated

6-5

CASE NO.

GD-2000-395

LL
Lumpke, Chair

mdl
Draher, Vice Chair

cm
Murray, Commissioner

AL
Schemenauer, Commissioner

HL
Simmons, Commissioner

Agenda Date

6-8

Action taken:

4-1 AS

Must Vote Not Later Than

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

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 8th day of June 2000.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

