

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Tariff Sheets Designed to Increase Rates)
For Gas Service Provided to Customers in)
the Missouri Service Area of the Company,)
and the Company's Proposed Experimental)
Incentive Ratemaking Plan.)

CASE NO. GR-96-193

REPORT AND ORDER

Issue Date: August 28, 1996

Effective Date: September 10, 1996

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

In the matter of Laclede Gas Company's	)	
Proposed Tariff Sheets Designed to	)	
Increase Rates For Gas Service Provided	)	<u>CASE NO. GR-96-193</u>
to Customers in the Missouri Service Area	)	
of the Company, and the Company's Proposed	)	
Experimental Incentive Ratemaking Plan.	)	

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ADMINISTRATIVE
LAW JUDGES: **Anne Wickliffe Freeman and Mark A. Grothoff**

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REPORT AND ORDER

I. Procedural History

The Laclede Gas Company (Laclede or company) submitted tariff sheets designed to increase rates for gas service to its Missouri customers on December 15, 1995. The Commission issued an order on December 27, 1995, suspending the tariff sheets for 120 days plus six months past their effective date, until November 14, 1996. In the same order the Commission directed parties wishing to intervene to file an application for intervention by January 19, 1996. The following parties were granted intervention on January 29, 1996:

Union Electric Company (Union Electric)

O.C.A.W., AFL-CIO, through Gas Workers Local 5-6 (O.C.A.W.)

Mississippi River Transmission Corporation (MRT)

Missouri Pipeline Company (Mo Pipeline)

UtiliCorp United Inc., d/b/a Missouri Public Service (MPS)

Adam's Mark, Anheuser-Busch, Inc., Barnes and Jewish Hospitals, Chrysler Corporation, Emerson Electric Company, MEMC Electronic Materials, McDonnell Douglas Corporation, Monsanto Company, Nooter corporation, and Ralston Purina Company (Missouri Industrial Energy Consumers, or MIEC)

The parties agreed to a test year consisting of the twelve months ending December 31, 1995, which was approved by Commission order on March 15, 1996. The company did not request a true-up audit and hearing. By agreement of the parties the rate case was consolidated with a pending complaint case filed by the Industrial Gas Users against Laclede, Case No. GC-96-13, on June 11, 1996.

The parties met in prehearing conference beginning on July 1, 1996, and the Commission conducted local public hearings in St. Louis and Clayton, Missouri, on July 9, 1996. The parties prefiled direct and supplemental direct testimony and submitted a Stipulation and Agreement to

the Commission for approval on July 22, 1996. The Stipulation and Agreement is incorporated in this Report and Order by reference and included as Attachment A. Intervenor Union Electric, O.C.A.W., and MRT refused to sign the stipulation. OPC signed the agreement but attempted to reserve its right to challenge in circuit court the Gas Supply Incentive Plan portion of the agreement. The Commission issued a notice in accordance with 4 CSR 240-2.115(3) giving these parties five days to request an evidentiary hearing. None of the parties requested an evidentiary hearing on any issue.

The Commission's Staff (Staff) submitted highly confidential documentation in support of the stipulation on July 25, 1996; the parties jointly filed a Commission Briefing Paper, also highly confidential, on July 30, 1996. The Commission conducted a hearing on August 12, 1996, to consider whether to approve the Stipulation and Agreement. Laclede submitted late-filed Exhibits numbered 35, 36, and 37, in response to requests for information from the bench. There were no objections to admission of these late-filed exhibits.

II. Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

A. Revenue Requirement

Laclede submitted tariff sheets designed to increase its revenues from the provision of gas service to its Missouri customers by \$23.8 million annually. Those tariff sheets, carrying an effective date of January 15, 1996, were suspended until November 14, 1996. The parties agreed in a Stipulation and Agreement to an increase in annual revenues of \$9.5 million, or two percent, exclusive of any applicable license,

occupation, franchise, gross receipts taxes, or other similar fees or taxes. The Stipulation and Agreement included proposed tariff sheets (Attachment 1 to the Stipulation) designed to implement the agreement of the parties; substitute sheets for Seventh Revised Sheet No. 22 and Eighth revised Sheet No. 31 were submitted on August 7, 1996. These proposed tariff sheets carry no effective date but are offered as exemplars; should the Commission approve the stipulation, Laclede will file tariff sheets conforming to those filed with the agreement with an appropriate effective date. The parties have requested an effective date of September 1, 1996, and waived the normal ten-day effective period. The Commission gave the non-signatory parties and OPC the opportunity to request an evidentiary hearing under 4 CSR 240-2.115(3) but no requests for hearing were filed. The Commission will treat the Stipulation and Agreement as a unanimous agreement as permitted by its Rule.

Staff originally filed a case that called for a reduction in revenues of approximately \$.2 million. The settlement calls for an increase in revenues of \$9.5 million. The elements that brought the settlement amount up to the \$9.5 million figure are:

<u>Element</u>	<u>Settlement Value</u>
Rate of Return/Capital Structure	\$2.2 million
Payroll & Associated Taxes	2.9 million
Pensions/OPEBs	2.8 million
Cash Working Capital	.2 million
Advertising/Misc. Expenses	.3 million
Depreciation Rates	.2 million
Inventory Levels	.2 million
Uncollectible Accounts	.4 million
Revenue Normalization	.3 million
Other Items	.2 million

This Report and Order will discuss the major elements of the settlement - Rate of Return/Capital Structure, Payroll & Associated Taxes, and Pensions/OPEBs - as well as the Rate Design, Incentive Plan, and Accounting Authority Orders agreed to by the parties. Changes to Laclede's Large Volume Transportation and Sales Service (LVTSS) rate schedule and to its Purchased Gas Adjustment (PGA) clause, particularly in relation to settlement of the complaint case that was consolidated with this rate proceeding, Case No. GC-96-13, will also be considered.

B. Rate of Return/Capital Structure:

The stipulated revenue increase should result in a return on common equity (ROE) of 11 percent based on a capital structure which includes a 12-month average balance of short term debt, adjusted for test year financings and construction work in progress. Laclede originally requested an ROE of 12.5 percent. The ROEs proposed by other parties ranged from 9.34 percent (OPC) to 11.15 percent (MIEC). Staff's testimony supports an ROE range of 9.8 percent to 11.1 percent. Setting the ROE at 11 percent accounts for \$2.9 million of the \$9.5 million revenue requirement. Although an 11 percent ROE is near the top of the range proposed by Staff, it is within the range of the proposals made. The Commission finds that the evidence of Staff and MIEC, including DCF and CAPM analyses and evaluation of comparable utility companies, supports an ROE of 11 percent. The agreed ROE will permit Laclede to continue to attract the capital necessary to maintain safe and adequate service to the public without producing windfall profits to shareholders. The Commission finds that an ROE of 11 percent is reasonable.

C. Rate Design:

The parties proposed a number of rate changes. The cumulative impact of these changes on a typical residential customer is described by

Attachment 1A to the Stipulation and Agreement. Revisions to Laclede's Rate Schedules will include: (1) an increase of \$1.00 in the Residential General Service customer charge, from \$11.00 to \$12.00; (2) an increase of \$1.00 in the Commercial and Industrial General Service customer charge, from \$12.30 to \$13.30; (3) an increase of \$75.00 in the Large Volume Service customer charge from \$400.00 to \$475.00; (4) an increase of \$50.00 in the Interruptible Service customer charge, from \$400.00 to \$450.00; and, (5) an increase of \$90.00 in the Large Volume Transportation and Sales Service ("LVTSS") customer charge, from \$700.00 to \$790.00. The increased customer charge, added to changes to the PGA factors and to the manner in which pipeline capacity reservation charges are allocated to customer classes, will increase the rates paid by a typical residential customer by approximately \$1.34 per month.

In arriving at the agreed upon rate changes, the parties relied on cost of service (COS) studies which attempt to determine the cost of providing service to each customer class. The studies produced differing results, partly as a result of the use of different customer classifications, allocation methods, and underlying assumptions. Some of these disparities will be resolved for future cases by agreements reflected in paragraph 5 of the Stipulation and Agreement. The Commission strongly encourages the parties to implement the cooperation called for by paragraph 5 and to prepare cost of service studies in the future that can be directly compared to one another and more easily assessed for reasonableness.

The COS study supported by Staff and MIEC called for an increase in rates for residential customers and a decrease in rates for small commercial and industrial customers. Laclede and OPC used studies that supported an opposite result. The rate design agreed upon by the parties essentially retains the existing relationships among the classes

as demonstrated by Commission Exhibit 1, consisting of charted C-O-S comparisons filed by Staff on August 6, 1996, and attached to this Report and Order.

Given the fact that the various cost studies, when taken together, provide inconclusive evidence for a substantial shift in revenues, and that the increase to residential rates is moderate, the Commission is of the opinion that the agreed upon rate design, which generally maintains current relationships among classes, is just and reasonable.

D. Payroll & Associated taxes:

Staff's case as initially filed did not include the effect of the August 1, 1996, wage increase which occurred outside the test year. The wage increase was the result of collective bargaining and was included in the settled revenue requirement using actual employee levels as of April 30, 1996. The parties compromised on inclusion of overtime expenses and excluded the costs of the Incentive Compensation Plan. The wage increase is part of a three-year contract affecting about three-fourths of the company's non-management employees. The current year is the contract's third year. Costs associated with the wage increase account for \$2.9 million of the \$9.5 million revenue requirement. The Commission finds that the August wage increase constitutes a known and measurable change that should be included in the company's revenue requirement.

E. Pensions and Other Post-retirement Benefits:

The Stipulation and Agreement provides that Laclede may continue to book pensions and OPEBs (other post-retirement benefits) in accordance with Financial Accounting Standards Board Statements ("FAS") 87, 88, and 106, with a five-year amortization of unrecognized net gains or losses, and a compromise amount of FAS 88 gains and losses. OPEBs include

health and life benefits to employees retired from active service. FAS 87 permits accounting for pension benefit expenses on an accrual basis; FAS 106 permits accounting for OPEB costs on an accrual basis. The Commission takes official notice of the Uniform System of Accounts (USOA) which governs public utility accounting practices. Missouri law requires adoption of FAS 106 for ratemaking purposes where the assumptions are considered reasonable and the amounts collected in rates are funded by the utility. The use of FAS 87 and FAS 88, though not required, makes the accounting for these benefits more compatible with FAS 106.

Laclede originally requested a ten-year amortization period but the stipulation calls for a five-year period. The five-year solution is supported by Staff's testimony indicating that deferral of earned returns on pension fund assets for longer periods results in less accurate pension and OPEB expense figures. Upon review of the evidence the Commission finds that the stipulation provisions for accounting treatment of pension and OPEB expenses are reasonable and in accordance with the governing statutes.

F. Incentive Plan:

Included in the Stipulation is a proposed Gas Supply Incentive Plan whereby Laclede and its customers would share in specified savings and revenues realized by Laclede in acquiring, utilizing and managing its system gas supply assets. The proposed Incentive Plan has many features similar to the gas cost incentive mechanism approved by the Commission for Missouri Gas Energy (MGE) in Phase II of Case No. GO-94-318. Like the MGE plan, the proposed Incentive Plan includes a sharing mechanism for capacity release revenues, as well as an incentive for Laclede to minimize its gas supply acquisition costs. The proposed Incentive Plan has been modified to reflect the fundamental gas supply structure of Laclede's system, and expanded to include a sharing mechanism for off-system sales net revenues

and firm transportation discounts. The specific provisions of the proposed Incentive Plan are as follows.

1. Capacity Release Revenues

Revenues derived from the release of pipeline transmission or storage capacity would be shared as follows:

<u>Capacity Release Revenues</u>	<u>Company Percent</u>	<u>Customer Percent</u>
First \$1,500,000	10 percent	90 percent
Next \$1,500,000 - \$2,500,000	20 percent	80 percent
Over \$2,500,000	30 percent	70 percent

2. Interstate and Intrastate Firm Transportation Discounts

Discounts negotiated with interstate or intrastate pipeline companies for firm transportation services would be shared as follows:

<u>Firm Transportation Discounts</u>	<u>Company Percent</u>	<u>Customer Percent</u>
Discounts after 12-1-95	10 percent	90 percent
Discounts after 10-1-96	20 percent	80 percent

3. Costs To Purchase Gas Supplies

The costs and savings associated with the purchase of gas supplies from any producer or marketer would be shared as follows:

(a) If Laclede's cumulative cost of gas during an Annual Cost Adjustment Year is between the cumulative benchmark cost of gas (defined as the applicable weighted average spot cost of gas plus 3.2 percent) and 104 percent of the benchmark, the gas costs would be recovered through the normal PGA/ACA process and would be deemed to be prudent;

(b) If Laclede's cumulative cost of gas is greater than 104 percent of the benchmark, but less than or equal to 110 percent of the benchmark, Laclede would bear 50 percent of the difference between the cumulative cost of gas and 104 percent of the benchmark, and the gas costs would be deemed prudent;

(c) If Laclede's cumulative cost of gas is less than the benchmark, but not less than 94 percent of the benchmark, Laclede would retain 50 percent of the difference between the benchmark and the cumulative cost of gas;

(d) If Laclede's cumulative cost of gas exceeds 110 percent of the benchmark, the cost in excess of 110 percent of the benchmark would be subject to a prudence review;

(e) If Laclede's cumulative cost of gas is below 94 percent of the benchmark, Laclede would not retain any of the cost savings below 94 percent of the benchmark.

4. Off System Marketing Sales

Net revenues from making sales of gas or gas bundled with transportation to parties who are not directly connected to the Laclede system would be shared as follows:

Company - 30 percent

Customers - 70 percent

(a) The following restrictions would apply to such sales:

- (1) Laclede may not make any sales where negative net revenues result;
- (2) Sales can only be made on an "as available" basis; and,
- (3) Sales may not be made to any marketing affiliate of Laclede.

By its terms, the proposed Incentive Plan will become effective October 1, 1996 for a three-year period and terminate on September 30, 1999. In addition, reliability and monitoring reports will be developed in connection with the proposed Incentive Plan.

Upon review of the proposed Incentive Plan, the Commission finds that Laclede and its customers would share in specified savings and

revenues realized by Laclede in managing its system gas supply assets. The Commission recognizes that Laclede has agreed to bear the risk of certain increases in its gas supply acquisition costs and finds that the proposed Incentive Plan is designed to provide Laclede with incentives to minimize such costs while maintaining supply reliability and to maximize the efficient management and utilization of its gas supply assets by, among other things, generating incremental net revenues from off-system sales for sharing with its regular service area utility customers. Thus, the Commission finds that the proposed Incentive Plan is just and reasonable.

G. Accounting Authority Orders (AAOs):

The parties agree to continuation of four Accounting Authority Orders that were approved by the Commission in Laclede's last rate case, GR-94-220. The Commission has taken official notice of the Uniform System of Accounts (USOA) which governs public utility accounting practices. The USOA indicates that the correct account for the deferral of the type of costs dealt with in these four AAOs is no longer Account 186 but Account 182.3. The Stipulation and Agreement should therefore be modified to the extent that deferrals be made to the appropriate account.

(1) Manufactured Gas AAO: The Parties agree, subject to specified conditions, that Laclede should be granted accounting authorization to continue to defer and book to Account 182.3 (formerly Account 186), costs incurred to comply with Environmental Protection Agency regulations and orders in connection with: (1) the investigation, assessment, removal, disposal, storage, remediation or other treatment of residues, substances, materials and/or property that are associated with former manufactured gas operations or located on former manufactured gas sites; (2) the dismantling and/or removal of facilities formerly utilized in manufactured gas operations; (3) efforts to recover such costs from

potentially responsible third parties and insurance companies; and, (4) payments received by Laclede as a result of such efforts. This AAO will apply to costs incurred or payments received between May 1, 1996, and the effective date of the rates established in Laclede's next general rate case proceeding, or the beginning of the deferral period of any subsequent accounting authority order granted for the same costs, whichever is earlier.

The costs described above arise in response to action by the United States Environmental Protection Agency (EPA). The EPA has been engaged in surveying former manufactured gas plant sites to determine whether cleanup of hazardous by-products and residuals of manufacture are needed. There is a possibility that Laclede will be required to take remedial action at one site which could result in costs of approximately \$600,000. These are substantial costs that Laclede may be required to pay in order to comply with EPA regulations. If remedial action is required, the associated costs will be a nonrecurring expense. The Commission finds that it is reasonable that the company be allowed to defer them by means of an AAO.

(2) Gas Safety AAO: The parties agree that Laclede should be granted accounting authorization to continue to defer and book to Account 182.3 costs incurred to comply with the Commission's gas safety requirements including costs: (1) to replace Company service and yard lines and to move and reset and/or replace meters; (2) to replace cast iron mains and transfer services from the old main to the new main; (3) to replace and/or cathodically protect unprotected steel mains and transfer services from the old main to the new main; and, (4) to survey buried fuel lines for leaks. The costs described above will be incurred in order to comply with Commission regulations. They constitute substantial costs that

will be nonrecurring. The Commission finds it is reasonable to defer the costs by means of an AAO.

(3) **OPEB Account AAO:** The parties agree that Laclede should be granted accounting authorization to continue to defer and book to Account 182.3 certain costs associated with Laclede's external OPEB funding mechanisms as more particularly described in the Stipulation and Agreement. Laclede agrees to continue to fund its OPEB obligations in accordance with the provisions of §386.315 RSMo. The accounting authority order for OPEB obligations is a continuation of the authority granted in Laclede's last rate case. Laclede's direct testimony indicates that the reasons justifying the original grant of accounting authority continue to exist. The Commission has reviewed the evidence and the Stipulation and finds that a continuation of this accounting mechanism is a reasonable means of accounting for these expenses and is in accordance with the governing statutes.

(4) **SERP Account AAO:** The parties agree that Laclede's Supplemental Retirement Benefit Plan ("SERP") and Directors' pension plan expenses shall continue to be accounted for on a payments basis, provided that Laclede is granted accounting authorization to continue to defer and book to Account 182.3 certain costs associated with these accounts more particularly described in the Stipulation and Agreement. The accounting authority order for SERP and Directors' pension plan obligations is also a continuation of accounting authority granted in Laclede's last rate case. Laclede's direct testimony indicates that the reasons justifying the original grant of accounting authority continue to exist. The Commission has reviewed the evidence and the Stipulation and finds that a continuation of this accounting mechanism is a reasonable means of accounting for these expenses.

H. Depreciation Rates:

The Stipulation and Agreement includes changes to depreciation rates for plant accounts 361 and 362 to reflect the depreciation rates set out in Attachment 3 to the Stipulation and Agreement. Laclede's witness testified that the depreciation rates on all of its accounts were out of date and should be revised but the agreement generally reflects Staff's position. The agreement permits changes in depreciation rates for Accounts 361 and 362 but calls for additional analysis by Laclede related to gas holder costs. The parties also request that the Commission establish a separate docket to address the period of time for which the company should be required to compile a depreciation data base, to be submitted to the Commission for resolution by January 15, 1997. The Commission finds that the testimony supports the provision regarding depreciation rates and a docket will be established for resolution of the property records issue by separate order.

I. Changes to the Large Volume Transportation and Sales Service (LVTSS) Rate Schedule:

The Stipulation and Agreement provides for revisions to Laclede's LVTSS rate schedule which are designed to: (1) allow customers who already qualify for transportation service under Laclede's existing LVTSS rate schedule to aggregate their usage under separate accounts for the same class of transportation service only for purposes of balancing transportation receipts and deliveries and for determining the applicability of unauthorized use charges; (2) allow a customer with an account that already qualifies for transportation service under Laclede's existing LVTSS rate schedule to receive transportation service in connection with any other account of the same customer that has an annual usage of 200,000 therms or greater and also a billing demand equal to or greater than 1,000 therms for purposes of aggregating usage as described

above; and, (3) clarify the customer notice provisions applicable to periods of limitation. These changes address issues raised by the Industrial Gas Users' complaint, Case No. GC-96-13, that was consolidated with the rate case. The Commission finds that these revisions to the LVTSS rate schedule are reasonable and an appropriate resolution of the issues raised by the Industrial Gas Users in their complaint case.

J. Changes to Purchased Gas Adjustment (PGA) clause:

The Stipulation and Agreement provides for a number of changes to Laclede's PGA Clause, beginning with revisions to bring base volumes to a current basis for the computation of the Current Purchased Gas Adjustment Factor. The PGA was also revised to: (1) modify the manner in which pipeline capacity reservation charges are allocated to Laclede's customer classes; (2) raise the threshold change in gas costs necessary to trigger a PGA filing from the current \$2 million annualized change in gas costs to a threshold of \$250,000 monthly change in firm sales revenues; (3) remove, effective October 1, 1996, all language permitting Laclede to recover agency fees through the PGA clause; (4) revise the notice period for filing PGA changes from fifteen calendar days to ten business days; and, (5) change the Actual Cost Adjustment ("ACA") revenue recovery period to the twelve month period beginning with the December revenue month (the current period runs from November to November). A number of these revisions address issues raised in GC-96-13. The Commission finds that these revisions to the LVTSS rate schedule are reasonable and an appropriate resolution of the issues raised by the Industrial Gas Users in their complaint case. The Commission further finds that the change in the PGA threshold is reasonable and should have the beneficial effect of reducing the number of PGA filings required for Laclede.

III. Conclusions of Law

The Missouri Public Service Commission has reached the following conclusions of law:

The Commission has jurisdiction over the operations of, and the rates charged by, the Laclede Gas Company pursuant to Chapters 386 and 393 of the Revised Statutes of Missouri 1994. The Commission must protect the public interest, ensure that Laclede's rates are just and reasonable, and ensure that Laclede provides safe and adequate service to the public. §§ 393.130 and 393.140 RSMo. The Commission may approve a stipulation and agreement of the parties as to any issues in a contested case pursuant to 536.060.

The Commission has reviewed the Stipulation and Agreement filed in this case in light of these responsibilities and made the findings of fact above. Based on those findings, the Commission concludes that the rates established by the agreement of the parties are just and reasonable and that the establishment of the incentive plan is in the public interest. The Stipulation and Agreement submitted by the parties should be adopted. The Commission concludes that the complaint initially filed by the Industrial Gas Users as Case No. GC-96-13 and later consolidated with the rate case should be dismissed.

IT IS THEREFORE ORDERED:

1. That late-filed exhibits numbered 35, 36 and 37 are received into evidence.

2. That the Stipulation and Agreement filed by the parties on July 22, 1996, and attached to this order as Attachment A is adopted in resolution of all issues in the rate case, GR-96-193, and in the complaint case, GC-96-13.

3. That Laclede Gas Company is authorized to file tariff sheets consistent with the Stipulation and Agreement adopted above and with this Report and Order, for service on and after September 1, 1996.

4. That Laclede Gas Company is authorized to implement the Gas Supply Incentive plan described in the Stipulation and Agreement and in this Report and Order.

5. That Laclede Gas Company is granted accounting authorization to continue to defer and book to Account 182.3 costs incurred to comply with Environmental Protection Agency regulations and orders in connection with: (1) the investigation, assessment, removal, disposal, storage, remediation or other treatment of residues, substances, materials and/or property that are associated with former manufactured gas operations or located on former manufactured gas sites; (2) the dismantling and/or removal of facilities formerly utilized in manufactured gas operations; (3) efforts to recover such costs from potentially responsible third parties and insurance companies; and, (4) payments received by Laclede as a result of such efforts, as more particularly described in the Stipulation and Agreement. This AAO will apply to costs incurred or payments received between May 1, 1996, and the effective date of the rates established in Laclede's next general rate case proceeding, or the beginning of the deferral period of any subsequent accounting authority order granted for the same costs, whichever is earlier.

6. That Laclede Gas Company is granted accounting authorization to continue to defer and book to Account 182.3 costs incurred to comply with the Commission's gas safety requirements including costs: (1) to replace Company service and yard lines and to move and reset and/or replace meters; (2) to replace cast iron mains and transfer services from the old main to the new main; (3) to replace and/or cathodically protect

unprotected steel mains and transfer services from the old main to the new main; and, (4) to survey buried fuel lines for leaks as more particularly described in the Stipulation and Agreement.

7. That Laclede Gas Company is granted accounting authorization to continue to defer and book to Account 182.3 certain costs associated with Laclede's external OPEB funding mechanisms as more particularly described in the Stipulation and Agreement and in accordance with the provisions of §386.315 RSMo.

8. That Laclede Gas Company may continue to account for expenses associated with its Supplemental Retirement Benefit Plan ("SERP") and Directors' pension plan on a payments basis and is granted accounting authorization to continue to defer and book to Account 182.3 certain costs associated with these accounts, as more particularly described in the Stipulation and Agreement.

9. That the complaint filed by the Industrial Gas Users against Laclede Gas Company, Case No. GC-96-13, is dismissed.

10. That this Report and Order shall become effective on the 10th day of September, 1996.

BY THE COMMISSION



David L. Rauch
Executive Secretary

(S E A L)

McClure, Kincheloe, Crumpton,
and Drainer, CC., Concur and
certify compliance with the
provisions of Section 536.080,
RSMo 1994.
Zobrist, Chm., Absent

Dated at Jefferson City, Missouri,
on this 28th day of August, 1996.

ATTACHMENT A

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Laclede Gas Company's)
proposed tariff sheets designed to)
increase rates for gas service)
provided to customers in the Missouri) Case No. GR-96-193
service area of the Company, and the)
Company's proposed experimental)
incentive ratemaking plan.)

Industrial Gas Users, Adams Mark Hotel,)
et al.,)
Complainants)
vs.) Case No. GC-96-13

Laclede Gas Company,)
Respondents.)

FILED

JUL 22 1996

STIPULATION AND AGREEMENT

MISSOURI
PUBLIC SERVICE COMMISSION

On December 15, 1995, Laclede Gas Company ("Laclede") submitted to the Missouri Public Service Commission ("Commission") tariffs reflecting increased rates for gas service provided to customers in its Missouri service area. The proposed tariffs contained a requested effective date of January 15, 1996 and were designed to produce an annual increase of approximately 5.3 percent (\$23.8 million) in charges for gas service. At the same time, Laclede also filed proposed tariffs that contained an experimental incentive ratemaking plan which Laclede requested be approved on an interim basis pending a final decision of the Commission.

By Order dated December 27, 1995, the Commission suspended the proposed tariffs and established a procedural schedule for interventions, the prefiling of direct testimony

and exhibits by Laclede and evidentiary hearings. In its Order, the Commission also directed parties seeking to intervene in this proceeding to submit with their applications to intervene their responses to Laclede's request for interim approval of the experimental incentive ratemaking plan. Additional procedural dates were subsequently established by the Commission in its January 12, 1996 Order Adopting Procedural Schedule.

By Order dated January 29, 1996, the Commission granted the Applications to Intervene filed by Anheuser-Busch, Inc., Barnes and Jewish Hospitals, Chrysler Corporation, Emerson Electric Company, MEMC Electronic Materials, McDonnell Douglas Corporation, Monsanto Company, Nooter Corporation and Ralston Purina Company (hereinafter referred to collectively as "MIEC"); Union Electric Company; O.C.A.W., AFL-CIO, through Gas Workers Local 5-6; Mississippi River Transmission Corporation; Missouri Pipeline Company and UtiliCorp United, Inc. d/b/a Missouri Public Service.

On February 2, 1996, the Commission issued its Order denying Laclede's Motion for interim approval of its experimental incentive ratemaking plan. By Order dated February 7, 1996, the Commission scheduled local public hearings in the City of St. Louis and St. Louis County, Missouri. Local hearings were subsequently held in this proceeding on July 9, 1996.

On June 11, 1996, the Commission issued its Order consolidating this case with Case No. GC-96-13, a complaint

proceeding which had been filed against Laclede by certain industrial customers (hereinafter referred to collectively as "Adams Mark Hotel et al."), on July 19, 1995.

Pursuant to the procedural schedule established by the Commission, a prehearing conference was convened on June 25, 1996. Laclede, the Commission Staff ("Staff"), the Office of the Public Counsel ("Public Counsel"), and all parties to Case Nos. GC-96-13 and GR-96-193, with the exception of: Gas Workers Local 5-6, O.C.A.W., AFL-CIO; and Mississippi River Transmission Corporation; appeared and participated at the prehearing conference. As a result of the prehearing conference, the undersigned parties ("Parties") have reached the following stipulations and agreements:

1. Laclede shall be authorized to file revised tariff sheets containing rate schedules for natural gas service designed to produce an increase in overall Missouri jurisdictional gross annual gas revenues of nine million five hundred thousand dollars (\$9,500,000) exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes. The Parties agree and request that such tariff sheets and rate schedules be made effective for service rendered on and after September 1, 1996.

2. The forms of the tariff sheets containing the rate schedules reflecting this increase, and allocating it among the existing rate schedules and special contracts, are set forth in Attachment 1 to this Stipulation and Agreement. A

quantification of the impact of such allocations on the average residential customer is set forth in Attachment 1A.

3. Laclede shall be authorized to file revised tariff sheets establishing an experimental three year Gas Supply Incentive Plan as set forth in Attachment 2 to this Stipulation and Agreement. All Parties but the Office of Public Counsel request that such tariff sheets be approved simultaneously with the other tariff sheets set forth in Attachment 2 and made effective for service rendered on and after October 1, 1996. An explanation of the various features of the Gas Supply Incentive Plan is set forth in Attachment 2A hereto.

A. Public Counsel neither supports nor opposes approval of the PGA incentive mechanism set forth in Attachment 2. Public Counsel questions whether or not the Commission has statutory authority to implement such a proposal. However, Public Counsel currently has pending a Writ of Review in the Cole County Circuit Court of the Commission's decision in Case No. GO-94-318 Phase II. Rather than duplicate its efforts in this proceeding, Public Counsel will focus its legal challenge in Case No. GO-94-318 Phase II. Should Public Counsel ultimately prevail in that proceeding, Public Counsel reserves the right to challenge this experimental gas cost incentive ratemaking plan.

B. Prior to full implementation of the Gas Supply Incentive Plan, Laclede agrees to cooperate with Staff and Public Counsel in developing mutually acceptable Reliability

and Monitoring Reports (similar to the outline presented in the direct testimony filed by Staff in this proceeding) for subsequent use in conjunction with the operation of the Gas Supply Incentive Plan. The Parties agree that during the three year term of the Gas Supply Incentive Plan, any amounts realized by Laclede pursuant to the Gas Supply Incentive Plan shall not be reflected in the determination of revenue requirement in any general rate proceeding before the Commission.

C. Laclede agrees that it does, and will in the future, continually investigate the potential use of financial instruments for purposes of reducing gas costs and/or volatility.

4. The tariff sheets and rate schedules set out in Attachment 1 hereto also reflect other agreements by the Parties, including, among other things, agreed upon changes or additions to Laclede's General Terms and Conditions for the provision of gas service, all of which, with the exception of 4th Revised Tariff Sheet No. 15, are proposed to be made effective for service rendered on and after September 1, 1996. Without limiting the generality of the foregoing, these agreements include:

A. Revisions to Laclede's Rate Schedules, including: (1) an increase of \$1.00 in the Residential General Service customer charge, from \$11.00 to \$12.00; (2) an increase of \$1.00 in the Commercial and Industrial General Service customer charge, from \$12.30 to \$13.30; (3) an increase of

\$75.00 in the Large Volume Service customer charge from \$400.00 to \$475.00; (4) an increase of \$50.00 in the Interruptible Service customer charge, from \$400.00 to \$450.00; and (5) an increase of \$90.00 in the Large Volume Transportation and Sales Service ("LVTSS") customer charge, from \$700.00 to \$790.00. Within thirty days from the effective date of a Commission Order approving this Stipulation and Agreement, Laclede shall provide written notification of the rate changes proposed herein to those customers who may find it economically beneficial to switch rate classifications based on the rates proposed herein.

B. Revisions to Laclede's Purchased Gas Adjustment ("PGA") clause to: (1) modify the manner in which pipeline capacity reservation charges are allocated to Laclede's customer classes, so that the additional charge for backup service to Firm Transportation Customers will be set at 80% of the average unit cost of such pipeline charges; (2) raise the threshold change in gas costs necessary to trigger a PGA filing by eliminating the current threshold, which requires a \$2 million annualized change in gas costs, and replacing it with a threshold which requires a \$250,000 monthly change in firm sales revenues; (3) remove from Laclede's PGA clause, effective October 1, 1996, all references permitting Laclede to recover agency fees through the PGA clause, as such fees are described in the Direct Testimony filed in this proceeding by Staff; (4) revise the current notice period for filing PGA changes, from fifteen calendar days to ten

business days; and (5) revise the Actual Cost Adjustment ("ACA") revenue recovery period, from the twelve month period beginning with the November revenue month to the twelve month period beginning with the December revenue month.

C. Revisions to Laclede's tariff sheets governing special charges to: (1) provide for a \$10.00 returned check charge; (2) specifically state the charges applicable to certain meter-related work for residential customers, including: (a) a charge of \$125.00 for adjusting the height of the meter assembly due to a grade change initiated by the customer; (b) a charge of \$100.00 to relocate an inside meter to another inside location; (c) a charge of \$150.00 to move an outside meter to another outside location; (d) a charge of \$250.00 to move an inside meter outside; (e) a charge of \$60.00 to disconnect a service line temporarily; and (f) a charge for a second meter test requested by the customer within a twelve month period, when such second meter test fails to disclose a measurement error greater than 2%, of \$75.00 for a residential meter and \$125.00 for a commercial or industrial meter; (3) clarify when certain meter relocation work will be performed without charge to the customer; (4) provide that miscellaneous residential service and meter relocation work, and all commercial and industrial service and meter relocation work will be performed on a time and material basis; and (5) specifically state per-foot charges for service line relocation work for residential customers.

D. Adoption of tariff language conforming Laclede's tariff to provisions of the Commission Billing Practice Rules relating to various exceptions to the general requirement that customer bills be computed based on actual usage.

E. Adoption of tariff language to give Laclede the right to require a deposit from a customer who fails to provide proof of identity.

F. Revisions to Laclede's LVTSS rate schedule which are designed to: (1) allow customers who already qualify for transportation service under Laclede's existing LVTSS rate schedule to aggregate their usage under separate accounts for the same class of transportation service only for purposes of balancing transportation receipts and deliveries and for determining the applicability of unauthorized use charges; (2) allow a customer with an account that already qualifies for transportation service under Laclede's existing LVTSS rate schedule to receive transportation service in connection with any other account of the same customer that has an annual usage of 200,000 therms or greater and also a billing demand equal to, or greater than, 1,000 therms for purposes of aggregating usage as described above; and (3) clarify the customer notice provisions applicable to periods of limitation.

G. Revisions to Laclede's PGA clause to bring base volumes to a current basis for the computation of the Current Purchased Gas Adjustment Factor.

5.A. In preparing its cost of service study for its next general rate case proceeding, Laclede agrees to: (1) review and consider the various approaches recommended by the other Parties for allocating costs among Laclede's customer and rate classes; (2) cooperate with the Parties in examining further enhancements and additional changes to Laclede's analysis designed to obtain and organize data relating to the length, size and other characteristics of mains, services, meters and regulators, and the manner in which such characteristics vary by rate classification, particularly in those areas where the magnitude of the costs to be allocated is greatest; and (3) perform a study to estimate the costs incurred by Laclede to perform its residential service and meter relocation work as described in Paragraph 4.C. In fulfilling these requirements, the Parties acknowledge that due consideration should be given to minimizing the expenditure of resources needed to perform such analyses.

5.B. The Parties agree not to propose or recommend, either directly or indirectly, any further reallocation of capacity reservation charges between Laclede's Firm Transportation Customers and Laclede's remaining customer classes in any rate case, ACA, or other proceeding initiated or commencing prior to February 1, 1998, provided that such agreement may be modified by the mutual consent of the Parties or upon the occurrence of a significant and unanticipated event or change in Laclede's operations that

would reasonably justify a reexamination of the allocation of such charges.

5.C. All Parties agree to furnish class cost of service results for Laclede's next rate case proceeding which include the allocated costs for gas costs and non-gas costs, separately; provided that such commitment shall, in no way, preclude any Party, except as otherwise provided in Paragraph 5.B., from submitting and advocating in such proceeding class cost of service results and rate design recommendations in whatever form or manner that Party believes is appropriate. All Parties also agree to allocate costs separately for the Large Volume Sales, Interruptible Sales, Basic Transportation, Firm Transportation, Liquid Propane, and Gas Lights rate classifications, and to provide allocation data for the General Service rate classification based on customer size, customer type and other cost causation characteristics for consideration in the development and potential use of alternative allocators within this rate classification.

6. Laclede will continue to book, for financial purposes, pensions and post-retirement benefits other than pensions ("OPEBs") expense levels according to Financial Accounting Standards Board Statements ("FAS") 87 and 88, and 106, respectively. Such calculations shall reflect the institution of the amortization of unrecognized net gains and losses over a five year period. Such calculations shall continue to include the market-related value of plan assets calculation of gains and losses as described in FAS 87 and

106, provided that the parties shall be free to propose alternative calculations in Laclede's next general rate case proceeding. 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.

7. The Parties agree that the rates resulting from this Stipulation and Agreement reflect 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. The Parties further agree that Laclede will continue to fund its obligations for OPEBs in accordance with the provisions of Section 386.315 (RSMo. 1994) and that the VEBA and Rabbi trusts established by Laclede for purposes of funding its OPEB obligations in accordance with this Section are "independent external funding mechanisms" as that phrase is used therein.

8. For purposes of this case, the cost calculations for pensions and OPEBs as then used by Laclede's actuaries and accountants shall be deemed to be based on sound assumptions for ratemaking purposes. Notwithstanding this presumption, the Parties shall have the right to review and challenge such assumptions in any future general rate proceedings involving Laclede's gas rates, and this provision shall in no way bind the Parties in any future proceeding.

9. Notwithstanding the provisions of Paragraph 6 above, in any future general rate case proceeding involving Laclede's gas rates, the Parties reserve the right to propose

ratemaking adjustments (including the use of historical averages) relating to the assumptions, test year expense and credit levels, or external funding mechanisms used or proposed to be used by Laclede with respect to FAS 87, 88 and 106. The right to propose such adjustments, however, is expressly conditioned upon the agreement of the Parties that no such adjustment will be retrospective in nature. Further, if any such proposal or adjustment is attributable to, serves as a basis for, or results in:

A. changes in the funding mechanism itself; or

B. a different external funding mechanism being ordered by the Commission; or

C. future Laclede gas rates being established on the assumption of the existence of such changes in such mechanism; or

D. any other change to the funding mechanism which has an impact upon Laclede's rates;

then, in any such event, Laclede shall implement those changes on a prospective basis only, and shall be given reasonable time and opportunity to do so prudently, to avoid incurring any adverse financial impact with respect to their implementation and use.

10. The Parties agree that the rates established in this proceeding reflect full recovery and/or refund of deferral balances as of April 30, 1996, made pursuant to Ordered Number Paragraphs 4 (OPEBs), 5 (Supplemental Retirement Benefit Plan/ Directors), 6 (Gas Safety) and 7

(Environmental) of the Commission's Report and Order in Case No. GR-94-220 and Paragraph 4 (Gas Research Institute) of the Stipulation and Agreement in Case No. GR-81-245, and that the deferrals recovered pursuant to Ordered Number Paragraph 7 of the Commission's Report and Order in Case No. GR-94-220 were determined on a payments basis.

11. The Parties agree that Laclede should be granted accounting authorization to continue to defer and book to Account 186 for inclusion in the rates established in Laclede's next general rate case proceeding the difference, net of any applicable tax effects, between: (1) the cumulative contributions made by Laclede to its external OPEB funding mechanisms during the deferral period from May 1, 1996 to 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; and (2) the cumulative allowance for OPEB costs reflected in rates during such deferral period. The Parties further agree that: (i) such allowance, stated on an annual basis, is \$6,100,000 from May 1, 1996 through August 31, 1996 and \$4,265,000 from September 1, 1996 to the 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; (ii) such allowance is before transfers to non-operation and

maintenance ("non-O&M") accounts; and (iii) that expense recovery in rates of such allowance is net of transfers to non-O&M accounts. In the event the cumulative contributions made by Laclede to, or in connection with, such funding mechanisms during the deferral period are less than or greater than the cumulative amount of the OPEB allowance during the deferral period, then such difference, net of any applicable tax effects, shall be reflected in the rates established in such next general rate case proceeding.

12. The Parties agree that Laclede's Supplemental Retirement Benefit Plan ("SERP") and Directors' pension plan expenses shall continue to be accounted for on a payments basis, provided that Laclede shall, in a manner similar to that set forth in paragraph 11 of this Stipulation and Agreement, be granted accounting authorization to continue to defer and book to Account 186, the difference, net of any applicable tax effects, between: (1) the cumulative payments made by Laclede in connection with its SERP and Directors' pension plans during the deferral period from May 1, 1996 to 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; and (2) the cumulative allowance for SERP and Directors' pension costs reflected in rates during such deferral period. The Parties further agree that: (i) such allowance, stated on an annual basis, is \$281,000 from May 1,

1996 through August 31, 1996 and \$313,000 from September 1, 1996 to 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; (ii) such allowance is before transfers to non-O&M accounts; and (iii) that expense recovery in rates of such allowance is net of transfers to non-O&M accounts. The Parties reserve the right to challenge the recovery in future rates of any costs deferred under this Paragraph 12.

13. The Parties agree that Laclede should be granted accounting authorization to continue to defer and book to Account 186, all costs to be incurred by Laclede: (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 buried fuel lines for leaks; including, without limitation, depreciation expenses, property taxes 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) which would normally be expensed on the in-service date and which are applicable to amounts to be placed in service in connection with these

projects beginning May 1, 1996, to 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. The Parties further agree that such authority shall become null and void in the event Laclede does not file tariff sheets proposing a general increase in rates by September 1, 1998. The carrying cost rate provided for herein is designed to give recognition to any expense savings associated with completion of the above-described safety-related work and no other adjustment to reflect any such savings which occur during the deferral period shall be made in any future proceeding. The Parties reserve the right to challenge the recovery in future rates of any costs deferred under this Paragraph 13.

14. The Parties agree, subject to the conditions specified herein, that Laclede should be granted accounting authorization to continue to defer and book to Account 186, all costs to be incurred by Laclede (including, but not limited to, all legal and consulting fees) in connection with (1) the investigation, assessment, removal, disposal, storage, remediation or other treatment of residues, substances, materials, and/or property that are associated with former manufactured gas operations or located on former manufactured gas sites, (2) the dismantling and/or removal of facilities formerly utilized in manufactured gas operations, (3) efforts to recover such costs from potentially

responsible third parties and insurance companies, and (4) payments received by Laclede as a result of such efforts; including all such costs to be incurred or payments received by Laclede beginning May 1, 1996, to 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. The Parties further agree that such authorization shall become null and void in the event Laclede does not file tariff sheets proposing a general increase in rates by September 1, 1998. The Parties also reserve the right to challenge the recovery in future rates of any costs deferred under this Paragraph 14.

15. The Parties agree that Laclede shall be authorized to continue to normalize the timing differences inherent in: (1) the recognition of pension costs on a FAS 87 and 88 basis, and OPEB costs on a FAS 106 basis, as authorized in Paragraph 7 of this Stipulation and Agreement; (2) the prior adoption and continuation of the deferred accounting referenced in Paragraphs 13 and 14 of this Stipulation and Agreement; and (3) 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.

16. The Parties agree that Laclede's depreciation rates for plant accounts 361 and 362 should be changed, effective September 1, 1996, to reflect the depreciation rate set forth in Attachment 3 to this Stipulation and Agreement. The Parties expressly acknowledge that the depreciation rate recommended herein for Account 362 does not resolve the issue of what level of costs should be reflected in such rates to reflect the estimated future cost of removal associated with sludge materials contained in Laclede's four remaining holders. Laclede agrees to cooperate with the Staff in advance of its next general rate case filing to develop a mutually acceptable estimate of such costs for consideration in the establishment of a future depreciation rate or other appropriate recovery mechanism for this account.

17. The Parties agree and request that a separate docket be established by the Commission to address the issue raised by Staff witness Paul Adam regarding the period of time for which the Company should be required to compile a depreciation data base in the format requested by Staff. Laclede agrees to cooperate with the Staff in recommending a procedural schedule for such a docket which would permit this issue to be submitted to the Commission for resolution by January 15, 1997.

18. None of the signatories to this Stipulation and Agreement shall have been deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any

service or payment standard, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

19. This 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 and adopt Paragraphs 1-18 of this Stipulation and Agreement in total by August 26, 1996, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof. To accommodate the August 26, 1996 approval date and September 1, 1996 effective date requested herein, the Parties agree to waive the normal ten day effective period.

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

21. The Parties agree that all of the prefiled testimony submitted by Laclede, Staff, Public Counsel, and MIEC and Adams Mark Hotel, et al. in Case Nos. GR-96-193 and

GC-96-13 shall be received into evidence without the necessity of their respective witnesses taking the stand.

22. 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 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) 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 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 Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this 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.

To assist the Commission in its review of this Stipulation and Agreement, 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 and Agreement, including any procedures for furnishing such information to the Commission.

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 Stipulation and Agreement and authorizing the implementation thereof, including:

(a) authorizing Laclede to file, in essentially the same form as Attachment 1, revised tariff sheets and rate schedules, with an effective date of September 1, 1996, designed to produce an increase in overall Missouri jurisdictional gross annual revenues for natural gas service in the amount of nine million five hundred thousand dollars (\$9,500,000), exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes;

(b) authorizing Laclede Gas Company to file, in essentially the same form as Attachment 2, revised tariff sheets with an effective date of October 1, 1996, to implement the experimental Gas Supply Incentive Plan set forth in Attachment 2 to the Stipulation and Agreement

approved in this case for a term of three years from such effective date.

(c) granting Laclede Gas Company authorization to continue to utilize FAS 87, 88 and 106 for regulatory purposes and to calculate gains and losses, on a first dollar basis, for all lump-sum settlements to the extent permitted by FAS 88, all in accordance with the terms and conditions recommended herein and to defer and book to Account 186 for inclusion in the rates established in Laclede's next general rate case proceeding, the difference, net of any applicable tax effects, between: (i) the cumulative contributions made by Laclede to its external OPEB funding mechanisms during the deferral period from May 1, 1996 to the earlier of the effective date of rates established in Laclede's next general rate case or the beginning of any deferral period in any subsequent accounting authority order granted by the Commission for such costs; and (ii) the cumulative allowance of OPEB costs reflected in rates during such deferral period, as such allowance is identified in Paragraph 11 of the Stipulation and Agreement approved in this case; and specifying that in the event the cumulative contributions made by Laclede to such funding mechanisms during the deferral period is less than or greater than the cumulative amount of the OPEB allowance during the deferral period, then such difference, net of any applicable tax effects, shall be reflected in the rates established in such next general rate case proceeding.

(d) granting Laclede Gas Company authorization to continue to account for its SERP and Directors' pension plan expenses on a payment basis, and to defer and book to Account 186, the difference, net of any applicable tax effects, between (i) the cumulative payments made by Laclede in connection with its SERP and Directors' pension plans during the deferral period from May 1, 1996 to the earlier of the effective date of rates established in Laclede's next general rate case proceeding or the beginning of the deferral period of any subsequent accounting authority order granted by the Commission for such costs; and (ii) the cumulative allowance of SERP and Directors' pension costs reflected in rates during such deferral period, as such allowance is identified in Paragraph 12 of the Stipulation and Agreement approved in this case.

(e) granting Laclede Gas Company accounting authorization to defer and book to Account 186, all costs to be incurred by Laclede: (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 mains to the new mains in connection therewith, (3) to replace and/or cathodically protect unprotected steel mains and to transfer services from the old mains to the new mains in connection therewith, and

(4) to survey buried fuel lines for leaks; including, without limitation, depreciation expenses, property taxes and carrying costs (at the overall rate of interest calculated pursuant to the Federal Energy Regulatory Commission's formula for computing AFUDC as set forth at 18 CFR Part 201, minus one percent) which would normally be expensed on the in-service date and which are applicable to amounts to be placed in service in connection with these projects beginning May 1, 1996 to the earlier of the effective date of rates established in Laclede's next general rate case proceeding or the beginning of any deferral period of any subsequent accounting authority order granted by the Commission for such costs; and specifying that such authority shall become null and void in the event Laclede does not file tariffs proposing a general increase in rates by September 1, 1998.

(f) granting Laclede Gas Company accounting authorization to defer and book to Account 186, all costs to be incurred by Laclede (including, but not limited to, all legal and consulting fees) in connection with (1) the investigation, assessment, removal, disposal, storage, remediation or other treatment of residues, substances, materials, and/or property that are associated with former manufactured gas operations or located on former manufactured gas sites, (2) the dismantling and/or removal of facilities formerly utilized in manufactured gas operations, (3) efforts to recover such costs from potentially responsible third parties and insurance companies, and (4) payments received by Laclede as a result of such efforts; including all such costs to be incurred or payments received by Laclede beginning May 1, 1996, to the earlier of the effective date of the rates established in Laclede's next general rate case proceeding or the beginning of the deferral period of any subsequent accounting authority order granted by the Commission for such costs; and specifying that such authorization shall become null and void in the event Laclede does not file tariffs proposing a general increase in rates by September 1, 1998.

(g) authorizing Laclede to continue to normalize the timing differences inherent in: (i) the recognition of pension costs on a FAS 87 and 88 basis, and OPEB costs on a FAS 106 basis, as authorized in Paragraph 7 of the Stipulation and Agreement approved in this case; (ii) the prior adoption and continuation of the deferred accounting referenced in Paragraphs 13 and 14 of the Stipulation and Agreement approved in this case; and (iii) 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.

(h) granting Laclede Gas Company authorization to implement the depreciation rates set forth in Attachment 3 of the Stipulation and Agreement approved in this case, effective September 1, 1996.

(i) dismissing, consistent with the Stipulation and Agreement approved in this case, the Complaint filed by the Industrial Gas Users in Case No. GC-96-13, and closing that docket.

(j) opening a docket for the purpose of addressing the issue of the period of time for which Laclede should be required to compile a depreciation data base in the format requested by the Commission Staff.

Respectfully Submitted this
22nd Day of July, 1996,

LACLEDE GAS COMPANY

STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION

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UNION ELECTRIC COMPANY

MISSOURI PIPELINE COMPANY
AND UTILICORP UNITED INC.
d/b/a MISSOURI PUBLIC SERVICE

Will not sign, and will
not support or oppose --
letter to follow.

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GAS WORKERS LOCAL 5-6

MISSISSIPPI RIVER
TRANSMISSION CORPORATION

Did not participate in
the prehearing conference.

Will not sign, and will
not support or oppose --
letter to follow.

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ATTACHMENT 1

P.S.C. MO. No. 5 Consolidated, Second Revised Sheet No. 1-a

CANCELLING P.S.C. MO. No. 5 Consolidated, First Revised Sheet No. 1-a

Laclede Gas Company
Name of Issuing Corporation or Municipality

For Refer to Sheet No. 1
Community, Town or City

SCHEDULE OF RATES

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Laclede Gas Company
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SCHEDULE OF RATES

GENERAL SERVICE (GS)

Availability - This rate schedule is available for all gas service rendered by the Company, including space heating service.

Rate - The monthly charge shall consist of a customer charge plus a charge for gas used as set forth below:

Customer Charge - per month

Residential	\$12.00
Commercial and Industrial	\$13.30

	Summer - Billing Months of May-Oct.	Winter - Billing Months of Nov.-Apr.
Charge For Gas Used - per therm		
For the first 65 therms used per month	39.690¢	42.275¢
For all therms used in excess of 65 therms	37.622¢	40.206¢

Minimum Monthly Charge - The Customer Charge.

Purchased Gas Adjustment - The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29. The above tariff rates are based on wholesale gas rates which produce a system average gas cost of 28.489¢ per therm.

Late Payment Charge - Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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SEASONAL AIR CONDITIONING SERVICE (AC)

Availability - This rate schedule is available for all gas service to air conditioning customers during the six consecutive billing months of May through October, provided that the quantity of gas used during such period for air conditioning purposes is at least twice the quantity of gas used for all other purposes during such period. All gas used by the customer for the balance of the year shall be billed under the General Service rate.

Rate - The monthly charge shall consist of a customer charge plus a charge for gas used as set forth below:

Customer Charge - per month

Residential	\$12.00
Commercial and Industrial	\$13.30

Charge For Gas Used - per therm

For the first 65 therms used per month	34.771¢
For all therms used in excess of 65 therms	32.703¢

Minimum Monthly Charge - The Customer Charge.

Purchased Gas Adjustment - The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29. The above tariff rates are based on wholesale gas rates which produce a system average gas cost of 23.570¢ per therm.

Late Payment Charge - Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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LARGE VOLUME SERVICE (LV)

Availability - Service under this rate schedule is available for qualifying firm gas uses including cogeneration and for boiler plant use where gas is the exclusive boiler plant fuel. Service under this rate schedule is available to customers contracting for separately metered gas service for a minimum term of one year with a billing demand equal to, or greater than, 250 therms and an annual usage equal to, or greater than 60,000 therms.

Rate - The monthly charge shall consist of a customer charge, a demand charge, and a commodity charge as set forth below:

Customer Charge - per month	\$475
Demand Charge - per billing demand therm	47¢
Commodity Charge - per therm	
For the first 36,000 therms used per month	30.641¢
For all therms used in excess of 36,000 therms	30.038¢

Minimum Monthly Charge - The Customer Charge plus the Demand Charge.

Terms of Payment - Customer's monthly bills will be computed at both the net and gross rates. Gross rates will be two percent (2%) higher than net rates. The net bill is payable on or prior to due date stated thereon. After this date, the gross bill is payable.

Purchased Gas Adjustment - The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29. The above tariff rates are based on wholesale gas rates which produce a system average gas cost of 28.489¢ per therm.

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INTERRUPTIBLE SERVICE (IN)

Under certain conditions, and from time to time, the Company has excess gas to sell. When the Company has such gas available for resale, it will make short-term contracts for the sale thereof.

Availability - This rate schedule is available to customers contracting for separately metered interruptible gas service for a minimum term of one year with a demand equal to, or greater than, 10,000 cubic feet per hour.

Net Rate - The monthly charge shall consist of a customer charge and a commodity charge as set forth below:

Customer Charge - per month	\$450
Commodity Charge	
First 100,000 therms - per month - per therm	29.852¢
Over 100,000 therms - per month - per therm	28.413¢

Charge For Gas Used During Interruption

All gas used during any period of interruption - per therm	58.473¢
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Minimum Monthly Charge - The Customer Charge.

Purchased Gas Adjustment - The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29. The above tariff rates are based on wholesale gas rates which produce a system average gas cost of 23.570¢ per therm.

Late Payment Charge - Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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GENERAL L.P. GAS SERVICE (LP)

Availability - This rate schedule is available for L.P. gas service to those customers located in subdivisions in the Company's certificated area where natural gas is not available, where the subdivision developer is willing to construct the subdivision so as to make it fully adapted to such service and the later conversion to natural gas and where a central L.P. gas system is determined by the Company to be feasible.

<u>Rate</u> - Customer Charge - per month	\$10.00
For all gallons used per month - per gallon	54.927¢

Minimum Monthly Charge - The Customer Charge.

Purchased Gas Adjustment

(A) The above charges shall be subject to an adjustment per gallon, which shall be referred to as the L.P. Current Purchased Gas Adjustment ("L.P. CPGA"), equivalent to the amount by which the price paid by the Company for L.P. Gas is above or below a basic price of 43.21¢ per gallon. Each month the Company will compare its current average unit cost for the purchase of L.P. gas to the average unit L.P. gas cost underlying the existing L.P. CPGA. If such difference is greater than or equal to 1.0¢ per gallon, the Company will file a new L.P. CPGA with the Commission, along with supporting materials, based on said current average unit L.P. gas cost. Upon approval by the Commission, such new L.P. CPGA factor will become fully effective on the date stated on Sheet No. 29.

(B) Whenever the actual prices paid by the Company for L.P. Gas differ from the price upon which its then effective adjustment is predicated, the amount of increased or decreased L.P. Gas cost resulting from such difference in price shall be debited or credited to a Deferred Purchased L.P. Gas Cost account. The cumulative balance of such deferred account entries for the same periods set out in Paragraphs C. 3 and C. 4 of the Company's PGA Clause shall be divided by the estimated amount of L.P. Gas gallons to be sold during the succeeding 12 billing months beginning with November and the resulting deferred cost per gallon shall be applied as a Deferred L.P. Gas Adjustment for said succeeding 12 billing months and shall increase or decrease the adjustments determined pursuant to Paragraph A hereof. All increases or decreases in charges resulting from the deferred adjustment shall be appropriately recorded in the Deferred L.P. Gas Cost account.

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GENERAL L.P. GAS SERVICE (LP) (continued)

Purchased Gas Adjustment (continued)

The current level of the adjustment factors described in (A) and (B) above are set out on Sheet No. 29.

Late Payment Charge - Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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UNMETERED GAS LIGHT SERVICE (SL)

Availability - This rate schedule is available, subject to the special provisions included herein, to customers who contract for service thereunder for a minimum term of one year for unmetered gas to be used solely for the continuous operation of gas lights.

Rate

Customer Charge \$3.50 per month

For lights equipped with mantle units with an hourly input rating of 3 cubic feet or less per mantle unit:

Each initial mantle unit per light \$8.54 per month
Each additional mantle unit per light \$7.17 per month

For open flame lights or lights equipped with mantle units with an hourly input rating in excess of 3 cubic feet per mantle unit:

First 3 cubic feet of hourly input rating per light \$8.54 per month
Each additional 3 cubic feet of hourly input rating or fraction thereof per light \$7.17 per month

Purchased Gas Adjustment - The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29; and such adjustment per therm shall be applied on the basis of an average consumption of 19.7 therms per month per mantle unit. The above tariff rates are based on wholesale gas rates which produce a system average gas cost of 28.489¢ per therm.

Late Payment Charge - Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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UNMETERED GAS LIGHT SERVICE (SL) (continued)

Special Provisions

1. The gas lights and standards shall meet with the approval of the Company and shall be installed in locations that are suitable to the Company. Such lights and standards shall be supplied and installed by the customer and shall remain the property of the customer. Servicing, maintenance, repairs, or replacement of same shall be the sole responsibility of the customer.

2. Service hereunder is applicable only where Company's existing mains and service pipe are suitable to supply such service. Customer's lights shall be connected by the Company to its facilities, however, such connections shall be limited to those which can be economically justified, as determined solely by the Company applying sound engineering and economic principles.

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AMENDMENT TO GAS SALE CONTRACTS

Charges for gas service rendered by Laclede Gas Company to various customers pursuant to gas sales and transportation contracts on file with the Missouri Public Service Commission are hereby amended as follows:

Southwestern Bell Telephone Company - contract dated August 17, 1982, as amended.

Base Monthly Charge	\$440
Monthly Demand Charge - per billing demand therm per month	32¢
Base Commodity Charge - per therm	
For the first 36,000 therms used per month	31.878¢
For all therms used in excess of 36,000 therms	31.275¢

Purchased Gas Adjustment - The charge for any gas sales pursuant to the above contracts shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29. The above tariff rates are based on wholesale gas rates which produce a system average gas cost of 28.489¢ per therm.

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VEHICULAR FUEL RATE (VF)

Availability

This rate schedule shall apply to the sale of separately metered natural gas to customers for the sole purpose of compression by the customer or a party engaged by the customer for use as a vehicular fuel, whether such fuel is used directly by the customer or is resold to other end-user(s) as compressed natural gas ("CNG") for vehicular use.

Service for any end-use of gas other than the compression of natural gas for vehicular use, such as space heating, water heating, processing or boiler fuel use, is not permitted under this schedule. Service which is provided for other end-uses through a separate meter at the same location will be billed by the Company under the applicable rate schedule.

Nothing herein precludes a customer from satisfying its CNG requirements through another sales or transportation rate schedule, where applicable.

Service provided by the Company under this rate schedule does not include the provision of compression services or facilities for CNG purposes.

Rate

Customer Charge - per month	\$13.30
Charge For Gas Used - For all therms used per month per therm	31.692¢

Minimum Monthly Charge - The customer charge.

Purchased Gas Adjustment - The charge for gas used as specified in this schedule shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas, as set out on Sheet No. 29. The above tariff rates are based on wholesale gas rates which produce a system average gas cost of 28.489¢ per therm.

Late Payment Charge - Unless otherwise required by law or other regulation, 1.5% will be added to the outstanding balance of all bills not paid by the delinquent date stated on the bill. The late payment charge will not be applied to amounts being collected through a pre-arranged payment agreement with the Company that is kept up-to-date.

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PURCHASED GAS ADJUSTMENT CLAUSE

A. Current Purchased Gas Adjustments

In the event of increases or decreases in the cost of purchased gas, charges for gas service contained in the Company's then effective retail rate schedules on file with the Missouri Public Service Commission (Commission) shall be increased or decreased by a Current Purchased Gas Adjustment (CPGA). The cost of purchased gas shall include but not be limited to all charges incurred for gas supply, pipeline transmission and gathering and contract storage.

1. a. The CPGA factor for firm sales shall be calculated by summing the gas cost components per therm as determined in accordance with paragraphs 2.a., b., c., d. and e. respectively, of Section A of this clause and subtracting therefrom the base gas cost level per therm for firm sales as set forth in Section F of this clause.

b. The CPGA factor for the seasonal and interruptible sales classifications shall be calculated by summing the gas cost components per therm as determined in accordance with paragraphs 2.c., d. and e. respectively, of Section A of this clause and subtracting therefrom the base gas cost level per therm for seasonal and interruptible sales as set forth in Section F of this clause.

2. The following unit gas cost components, rounded to the nearest .001¢ per therm, are recoverable under the CPGA of either firm or interruptible sales customers, where applicable, as described in Paragraph A.1. above.

a. Gas Supply Demand Charges. The Gas Supply Demand Charge cost component per therm shall be determined by dividing the total current annualized gas supply demand charges the Company incurs by the firm sales volumes specified in Section F of this clause. Total current annualized gas supply demand charges shall be equal to the sum of the demand charges of each of the Company's gas suppliers obtained by multiplying the latest effective demand charge of each gas supplier by the annualized demand determinants applicable to such gas supplier. Such charges shall include charges payable to a producer or any gas supplier for the reservation of gas supplies and minimum take charges.

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A. Current Purchased Gas Adjustments (Continued)

b. Capacity Reservation Charges. The Capacity Reservation Charge cost component per therm to be added to the other rate components to determine the CPGA factor for firm sales customers shall be calculated by dividing the capacity reservation costs allocated to firm sales customers by the firm sales volumes specified in Section F of this clause.

The Capacity Reservation Charge cost component per therm for firm transportation customers shall be determined by multiplying the average capacity reservation cost component per therm by 80%.

The capacity reservation costs to be allocated to firm sales customers shall be equal to total capacity reservation charges less the capacity reservation charges allocated to firm transportation customers. The capacity reservation charges allocated to firm transportation customers shall be determined by multiplying the Capacity Reservation Charge cost component per therm for firm transportation customers by the firm transportation volumes specified in Section F of this clause.

The average capacity reservation cost component per therm shall be determined by dividing the Company's total current annualized capacity reservation charges by the firm sales and firm transportation volumes specified in Section F of this clause.

Total current annualized capacity reservation charges shall be equal to the sum of the reservation charges of each of the Company's suppliers obtained by multiplying the latest effective capacity reservation charge of each supplier by the annualized reservation-related determinants applicable to such supplier. Such charges shall include pipeline reservation charges (exclusive of Gas Supply Realignment Cost ("GSRC") surcharges) and contract storage capacity and deliverability charges.

c. Commodity-Related Charges. The Commodity-Related Charge cost component per therm shall be equal to total current annualized commodity-related costs divided by the total sales volumes specified in Section F. Total current annualized commodity-related costs shall be equal to the product of the current average commodity-related cost per therm applicable to the Company's purchases during the period covered by the new CPGA and the annual purchase volumes specified in Section F. The current average commodity-related cost per therm shall be equal to the latest

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A. Current Purchased Gas Adjustments (Continued)

effective commodity-related charges divided by the total purchase volumes for such period. Such charges shall include but not be limited to producer or gas supply commodity charges and pipeline transmission and gathering commodity charges.

d. Take-or-Pay Charges. The Take-or-Pay cost component per therm shall be determined by dividing the current annualized take-or-pay related cost of purchased gas by the total sales and transportation volumes specified in Section F.

e. Other Non-Commodity-Related Gas Costs. With the exception of FERC Order No. 636 transition costs identified in an interstate pipeline company's rate schedules, the Other Non-Commodity-Related Gas Cost component per therm shall be determined by dividing all non-commodity-related gas costs subject to regulation by the FERC or any successor agency, by the total sales and transportation volumes specified in Section F. The Other Non-Commodity-Related Gas Cost component per therm applicable to the aforementioned transition costs will be determined by dividing such costs by the total sales volumes specified in Section F.

3. The factors determined in Paragraphs 2.b., 2.d. and 2.e. shall be applicable to transportation customers pursuant to Sheet No. 34 of the Company's Large Volume Transportation and Sales Service per therm, respectively. For informational purposes, such charges shall also be set forth at the bottom of Sheet No. 29.

4. No new CPGA will be submitted unless the aggregate increase or decrease in firm sales revenues generated by the new firm CPGA computed in accordance with Paragraph 2 above represents a current increase or decrease of more than \$250,000 from the previous CPGA computation when applied to the standard firm sales volumes for the month in which the new firm CPGA shall become effective.

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A. Current Purchased Gas Adjustments (Continued)

5. The CPGA for firm sales and the CPGA for seasonal and interruptible sales shall be set forth on Tariff Sheet No. 29 to be filed with the Commission and shall remain in effect until the next CPGA becomes effective hereunder, or until retail rates (or the fixed test period purchase and sales volumes) are otherwise changed by order of the Commission. Each CPGA made effective hereunder shall cancel and supersede the previously effective CPGA and shall be the CPGA to be effective thenceforth.

6. The amount of each customer's bill shall include a CPGA charge which shall on a net basis be the product of (a) the CPGA per therm applicable to the sales classification as set forth in Tariff Sheet No. 29 and (b) the total therms used in each billing period.

7. The resulting increases or decreases in charges for gas service resulting from an increase or decrease in the CPGA shall be effective on a pro-rata basis beginning with the effective date of the revised Tariff Sheet No. 29 and shall be fully effective one month thereafter, provided that any such proposed increase or decrease in charges satisfies the terms of Section E hereof.

B. Refunds

The Company shall refund, in entirety, any refunds which the Company receives from its suppliers, together with any interest included in such refunds, to the Company's customers. Such refund distribution will commence within three months of receipt by Company of a refund which by itself, or in combination with prior refunds upon which distribution by the Company has not yet commenced, exceeds \$100,000, and will be accomplished in the following manner unless otherwise prescribed by appropriate Commission Order:

1. The following refund factors will be applied as a credit to bills to the applicable customers over the succeeding 12 months by multiplying such factors by the total therms billed to each customer in each billing period.

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B. Refunds (Continued)

a. The refund factor for firm sales service shall be calculated by summing the gas supply demand, capacity reservation, commodity-related, take-or-pay and other non-commodity-related gas cost refunds per therm as determined in accordance with paragraphs 2.a, b., c., d. and e., respectively.

b. The refund factor for seasonal and interruptible sales service shall be calculated by summing the commodity-related, take-or-pay and other non-commodity-related gas cost refunds per therm as determined in accordance with paragraphs 2.c., d. and e, respectively.

c. The refund factor for firm transportation customers shall be calculated by summing the capacity reservation, take-or-pay and other non-commodity-related gas cost refunds per therm as determined in accordance with paragraphs 2.b., d. and e. respectively.

d. The refund factor for basic transportation customers shall be calculated summing the take-or-pay and other non-commodity-related gas cost unit refunds per therm as determined in accordance with paragraph 2.d. and e. respectively.

2. Unit refund factors related to various gas cost components, rounded to the nearest .001¢ per therm, will be calculated in the following manner:

a. Gas Supply Demand. The amount of refund related to gas supply demand charges shall be divided by the amount of therms estimated to be sold on a firm basis in the succeeding 12 months.

b. Capacity Reservation. For refunds relating to periods prior to September 1, 1996, the amount of refund related to capacity reservation charges shall be divided by the amount of therms estimated to be sold and transported on a firm basis in the succeeding 12 months. For refunds relating to periods after August 31, 1996, separate unit refund factors shall be calculated for firm sales and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b.

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C. Deferred Purchased Gas Cost Accounts (Continued)

1. Such excess or deficiency in total gas cost recovery, for each sales classification (firm, and seasonal and interruptible) and for each transportation classification (firm and basic) shall be determined by a monthly comparison of the actual cost of gas, net of storage injections and withdrawals, as shown on the Company's books and records, exclusive of refunds, for each revenue month to the gas cost revenues recovered for such revenue month.

2. Each component of actual gas cost shall be allocated to the sales and transportation classifications in accordance with the CPGA components described in Paragraph 2 of Section A above relating to each component and based on the volumes sold and/or transported to the applicable customer classification during the twelve month period ending with the September revenue month. The actual costs of propane peak shaving supplies and penalties will be allocated solely to firm sales customers.

3. The amount of gas cost revenues recovered each month for the sales classes shall be the product of the actual therm sales of each sales class and the gas cost revenue recovery components for such sales class. Such revenue recovery components shall be the sum of the base unit cost of gas for each sales class (as set forth in Section E) and the CPGA applicable to each sales class.

4. The amount of gas cost revenues recovered each month for the transportation classes shall be the product of the actual therms transported and the "Additional Transportation Charges," where applicable, specified in the Company's Large Volume Transportation and Sales Service tariff.

5. The Deferred Purchased Gas Cost Account shall also be credited for any revenues received by the Company for the release of pipeline transmission or leased storage capacity to another party. Such revenues will be allocated to firm sales and transportation customers.

6. For each twelve-month period ending with the September revenue month, the differences of the comparisons described above including any balance or credit for the previous year shall be accumulated to produce a cumulative balance of excess or deficiency of gas cost revenue recovery. "Actual Cost Adjustment" (ACA) factors shall be computed by dividing these cumulative balances by the applicable

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C. Deferred Purchased Gas Cost Accounts (Continued)

estimated sales or transportation volumes during the subsequent twelve-month period beginning with the December revenue month for each of the respective sales and transportation classes. All actual ACA revenue recovered shall be debited or credited to the balance of the ACA account as appropriate and any remaining balance shall be reflected in the subsequent ACA computations.

7. These ACA adjustment factors shall be rounded to the nearest .001¢ per therm and applied to billings commencing with the December revenue month to the applicable sales and transportation classes.

These "Actual Cost Adjustments" shall remain in effect until superseded by subsequent "Actual Cost Adjustments" calculated according to this provision. The Company shall file ACA factors in the same manner as all other Purchased Gas Adjustments.

D. Filing Requirements

At least ten business days before applying any Purchased Gas Adjustment(s), the Company shall file with the Commission an Adjustment Statement showing:

1. The computation of the revised CPGA, refund, or ACA factor;
2. A revised PGA Tariff Sheet No. 29 setting forth the rate classes of the Company to which the Purchased Gas Adjustment(s) is to be applied, the net amount per therm, expressed to the nearest .001¢ to be used in computing the Total Purchased Gas Adjustment (sum of CPGA, refund, and ACA) applicable to customers' bills under each rate schedule, and the effective date of such adjustment.
3. The Company shall also file with the Commission, as soon as available, copies of any orders or other pertinent information applicable to the wholesale rate(s) charged the Company by its suppliers. Any supporting material disclosing market-specific information will be designated "Highly Confidential" and will only be made available to the Missouri Public Service Commission or to any party that executes a non-disclosure statement.

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P.S.C. MO. No. 5 Consolidated, Fourth Revised Sheet No. 23

CANCELLING P.S.C. MO. No. 5 Consolidated, Third Revised Sheet No. 23

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F. STANDARD VOLUMES, BASIC RATES AND GAS COSTS.

THE FOLLOWING STANDARD VOLUMES, BASIC RATES AND GAS COSTS SHALL BE USED FOR PURPOSES OF PARAGRAPH A. HEREOF:

	THERMS
FIRM SALES	842,766,046
SEASONAL & INTERRUPTIBLE SALES	8,677,374
TOTAL SALES	851,443,420
FIRM TRANSPORTATION	74,664,795
BASIC TRANSPORTATION	114,330,711
AUTHORIZED OVERRUN	1,172,942
TOTAL THROUGHPUT	1,041,611,868
TOTAL PURCHASES	873,820,923

COST PER THERM

BASE GAS COST PER THERM EFFECTIVE SEPTEMBER 1, 1992

FIRM SALES	\$0.28489
SEASONAL & INTERRUPTIBLE SALES	\$0.23570

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PURCHASED GAS ADJUSTMENT CLAUSE

Adjustment Statement

In accordance with the Company's Purchased Gas Adjustment Clause contained in Sheet Nos. 15 through 23, inclusive and the Company's Purchased L.P. Gas Adjustment Clause contained on Sheet No. 8, the following adjustments per therm or per gallon, where applicable, will become effective on and after the effective date of this tariff.

<u>Sales Classification</u>	<u>Current</u> <u>PGA</u>	<u>ACA</u>	<u>Refund</u>	<u>Total</u> <u>Adjust-</u> <u>ment</u>
Firm	3.943¢	1.065¢	(0.139¢)	4.869¢
Seasonal & Interruptible	1.284¢	2.129¢	(0.000¢)	3.413¢
L.P.	9.028¢	(4.612¢)	---	4.416¢

Firm Gas Service is rendered under General Service Rate (Sheet No. 2), the Large Volume Service Rate (Sheet No. 5), the Unmetered Gas Light Service Rate (Sheet No. 9), Vehicular Fuel Rate (Sheet No. 11) and all special contracts for firm service.

Seasonal and Interruptible Service is rendered under the Seasonal Air Conditioning Service Rate (Sheet No. 4), and the Interruptible Service Rate (Sheet No. 7).

L.P. Gas Service is rendered under the General L.P. Gas Service Rate (Sheet No. 8).

Additional Transportation Charges, ACA Factors, Refunds and IA Factors

<u>Customer Groups</u>	<u>TOP</u>	<u>Capacity</u> <u>Reservation</u>	<u>Other Non-</u> <u>Commodity</u>	<u>ACA</u>	<u>Refund</u>
Firm	---	5.443¢	---	.450¢	(0.245¢)
Basic - Firm Sales					
Prior to					
November 15, 1989	---	---	---	.008¢	(0.012¢)
Basic - Other	---	---	---	.008¢	(0.007¢)

The above Current PGA Factors are based on wholesale pipeline gas cost levels, per therm, which include TOP, Capacity Reservation and Other Non-Commodity.

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RECONNECTION CHARGES

Charges for reconnection of service as described in Rule No. 15 of this tariff, shall be as follows:

- (A) Residential customer. \$43.00
- (B) Commercial or industrial customer, the greater of:
 - (1) The applicable charge set out in (A) above; or
 - (2) A charge that is equal to the actual labor and material costs that are incurred to complete the disconnection and the reconnection of service.
- (C) Residential, commercial, or industrial customer whose service pipe was disconnected and/or whose meter was removed by reason of fraudulent use or tampering, the greater of:
 - (1) The applicable charge set out in (A) or (B) above; or
 - (2) A charge that is equal to the actual labor and material costs that are incurred in the removal of the meter or disconnection of the service pipe and the reinstallation of the meter or the reconnection of the service pipe.

METER READING NON-ACCESS CHARGE

The charge for non-access as described in Rule No. 22 of this tariff, shall be as follows:

Charge For Non-Access. \$10.00

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COLLECTION TRIP CHARGE

The collection trip charge as described in Rule No. 23 of this tariff shall be as follows:

Collection Trip Charge \$9.00

RETURNED CHECK CHARGE

A charge shall be assessed for any check submitted to the Company for payment whenever such check has been returned to the Company unpaid.

Returned Check Charge \$10.00

SERVICE AND METER RELOCATION CHARGES

The charges for changing the location of a customer's service pipe or meter at the customer's request, as described in Rule No. 11 of this tariff, shall be as follows:

Residential

Relocate outside meter assembly	\$150.00
Move inside meter to outside	\$250.00
Move inside meter to a new inside location	\$100.00
Adjust height of meter assembly due to a grade change	\$125.00
Temporarily disconnect service line	\$ 60.00
Relocate or extend a service line:	
0 to 10 feet	\$120.00
11 to 20 feet	\$180.00
21 to 30 feet	\$230.00
31 to 40 feet	\$270.00
41 to 50 feet	\$300.00
Over 50 feet	\$300.00 plus
	\$5.00 per
	foot

Miscellaneous

Time and material

Commercial and Industrial

Time and material

The above relocation charges shall be included in the customer's bill for gas service or in a separate billing and may be paid in installments, at the customer's option, over a period of up to three months with no interest or finance costs.

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METER TEST CHARGES

The charges for each test of a customer's meter when performed at the customer's request more than once in a twelve month period, unless the meter registration is proved to be inaccurate in excess of 2%, as described in Rule No. 10 of the tariff, shall be as follows:

Residential meter	\$ 75.00
Commercial and Industrial meter	\$125.00

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LARGE VOLUME TRANSPORTATION AND SALES SERVICE

A. AVAILABILITY:

1. Gas transportation service and supplementary gas sales service pursuant to this tariff is available to any customer contracting for separately metered gas service for a minimum term of one year with a Billing Demand equal to, or greater than, 1,500 therms and an annual usage equal to, or greater than, 300,000 therms, except as provided in paragraph A.2 below, and for whom gas can be transported to the Company pursuant to the State of Missouri or federally authorized transportation arrangements. Any customer receiving transportation service under this tariff shall purchase its own gas for delivery to the Company at a Receipt Point acceptable to the Company.
2. For purposes of applying the monthly balancing provisions of Section D.4.3. below and the charge for gas used in excess of the Customer's Daily Scheduled Quantities ("DSQ") as described in Section B.1. below, any end-user, which owns or controls the facilities where separately metered gas service is or will be provided under this tariff for the same class of transportation service as such class is defined in Section B below, may aggregate the receipts and deliveries related to such facilities, provided that at least one facility meets the eligibility requirements set forth in Paragraph 1 above and each other facility is covered by a separate transportation contract with a Billing Demand equal to, or greater than, 1,000 therms and an annual usage equal to, or greater than, 200,000 therms. Transportation service shall only be provided to facilities with a Billing Demand between 1,000 and 1,500 therms and an annual usage between 200,000 and 300,000 therms when the receipts and deliveries of such facilities are aggregated with the receipts and deliveries of other facilities as provided by this paragraph.
3. Transportation service under this tariff will be made available to eligible customers upon request when the Company has sufficient distribution system capacity. If the Company determines that it does not have sufficient distribution system capacity to provide the requested service, it will provide to the customer requesting transportation service a written explanation of its distribution system capacity determination and a preliminary indication of the necessary changes to facilities, the approximate cost and the time required to provide such requested transportation service.

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A. AVAILABILITY (Continued):

4. Service under this tariff shall require execution of a Gas Transportation Service Contract (the "Contract") between the Company and the customer requesting transportation service.

B. CHARACTER OF SERVICE

1. The Company will provide the following classes of transportation service.

Basic Service - The Company will transport and deliver on a firm basis Customer- owned gas up to the DSQ. A Customer's natural gas use in excess of the DSQ, may be delivered and sold to the Customer pursuant to Section D (4.3) hereof at the sales rate set forth herein. Notwithstanding the foregoing, such delivery of gas in excess of the DSQ shall be at the Company's sole discretion on an "as available" basis. Effective at the beginning of any day as such term is defined in Paragraph 1.1 of Section D hereof, a Customer may be ordered to limit its use of natural gas to the DSQ. To the extent reasonably practical and permitted by the circumstances prevailing and known to the Company at the time, the Company shall provide at least 24 hours notification prior to the beginning of the gas day in which the foregoing limitation will become effective but in no event shall such notice be less than four hours prior to the beginning of the gas day. When such limitation order is in effect, the Customer will be billed an unauthorized use charge for all natural gas used in excess of the DSQ, but the existence of such charge does not entitle the customer to the delivery or use of such gas in excess of the DSQ, and the Company may lock the customer's meter(s) or take other appropriate steps to discontinue such unauthorized use.

Customers who elect to receive Basic Service and who subsequently request a change to Firm Service hereunder or to firm sales service under a filed sales rate schedule shall make written application for such change. The Company may grant such requests only if (i) in the Company's sole judgement, sufficient gas supplies can be obtained by the Company and (ii) the Customer pays to the Company, for each separately metered gas service for which the customer elects to change from Basic Service to Firm Service, the additional

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B. CHARACTER OF SERVICE (Continued)

pipeline demand gas cost charges referred to in Section C below under Additional Transportation Charges which would have been applicable to the Customer if the Customer had received Firm Service during the lesser of (a) the period for which the Customer received Basic Service, or (b) the preceeding twelve months. Such additional demand gas cost charges received by the Company shall be credited to the Company's deferred gas cost account described under its Purchased Gas Adjustment Clause.

Firm Service - The Company will transport and deliver Customer- owned gas up to the Customer's DSQ and will provide sales gas in excess of the DSQ up to the currently effective Billing Demand.

2. In no event shall the Customer's DSQ exceed the Customer's contracted for billing demand except as permitted under the Authorized Overrun provisions set forth under Section B(5) hereof.
3. In the event service curtailments are required because of distribution capacity constraints on the Company's system, the Company shall not discriminate between transportation and sales customers for purposes of determining the order and priority of such curtailments.
4. In the event the supply of natural gas available to the Company in any area is less than the amount required to meet the need of all customers in the area, the Company shall have the right to: (1) purchase the natural gas supplies owned by, or purchased on behalf of, any of its transportation customers to the extent (a) the Company implements curtailment of natural gas service to customers pursuant to Step 4 of the Emergency Curtailment Plan contained in Sheets R24 and R25 of the Company's Tariffs and (b) such gas is available for delivery to the Company under the terms of an existing transportation service arrangement; or (2) temporarily suspend gas transportation hereunder. The Company's right to purchase gas owned by a customer shall be exercised by the Company only after the Company has exhausted reasonable efforts to obtain the necessary gas supplies from other sources. Such right shall terminate once the gas supplies available to the Company from other sources are sufficient to serve the needs of the higher priority customers on whose behalf the purchase of customer-owned gas by the Company was made. The price to be paid by the Company for gas purchased under this provision shall be equal to the Customer's then current thermally equivalent cost of alternate fuel, or the then current thermally equivalent cost of #2 fuel oil as posted in The Oil Daily newspaper for the St. Louis area, whichever cost is the lowest.

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B. CHARACTER OF SERVICE (Continued)

5. Authorized Overrun Provision - When requested by the Customer, and authorized by the Company in its sole discretion, the Customer's DSQ on any day may be increased to a level not to exceed 110% of the currently effective billing demand, without causing an increase in such billing demand.

C. RATES

The monthly charge per each separately metered location shall consist of the charges set forth below:

Customer Charge - per month	\$790
Reservation Charge - per billing demand therm	45¢
Transportation Charge - per therm transported *	
For the first 36,000 therms transported per month.....	1.724¢
For all therms transported in excess of 36,000 therms.....	1.121¢
Commodity Charge - per therm sold *	
For the first 36,000 therms sold per month.....	30.213¢
For all therms sold in excess of 36,000 therms.....	29.610¢
Storage Charge - per therm for any full or partial month.....	0.50¢
Authorized Overrun Charge - per therm transported.....	3.709¢

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P.S.C. MO. No. 5 Consolidated, First Revised Sheet No. 34-a

CANCELLING P.S.C. MO. No. 5 Consolidated, Original Sheet No. 34-a

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- * The first block transportation and commodity charges shall collectively apply to no more than 36,000 therms of throughput in any month for each separately metered location, whether such throughput is associated with sales volumes, transportation volumes, or a combination of sales and transportation volumes.

Minimum Monthly Charge - The sum of the Customer Charge and the Demand Charge.

Additional Transportation Charges - For all therms transported on either Basic or Firm Service, the Transportation Charge and Authorized Overrun Charge shall be increased to include the currently effective level of any take-or-pay related (TOP) charge and other non-commodity related gas cost charge per therm as set out on Sheet No. 29. For Firm Service, the Transportation Charge shall be further increased to include the then currently effective level of the pipeline demand gas cost (or capacity reservation charge) per therm as set out on Sheet No. 29. Such additional transportation charges shall be included in the determination of gas cost revenue recovery described in Section C of the Company's Purchased Gas Adjustment Clause.

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Determination of Billing Demand - The billing demand for each month shall be the greater of a) the Customer's contracted for billing demand for each separately metered service or b) the maximum amount of gas (in therms) transported and/or purchased for each separately metered service during any consecutive period of 24 hours during the months of November through March when the Company has restricted Basic Service deliveries to the DSQ. Notwithstanding the foregoing provisions, the billing demand for any month shall not be less than the highest billing demand for any of the last preceding 11 months.

Purchased Gas Adjustment (PGA) - The charge for all therms sold to the Customer shall be subject to an adjustment per therm for increases and decreases in the Company's cost of purchased gas applicable to Firm Rate Schedules, as set out on Sheet No. 29. The commodity charge per therm sold as specified in this rate schedule is based on wholesale gas rates which produce a system average gas cost of 28.489¢ per therm.

Unauthorized Use Charge - On any day, the Company may order a Customer contracting for Basic Service to limit its use to the DSQ. When such limitation order is in effect, the Customer will be charged an unauthorized use charge of \$1.00 per therm for all gas used in excess of the DSQ. This unauthorized use charge is in addition to the other applicable charges set forth herein, and is subject to the service discontinuance rights of the Company set forth under Section B(1) hereof.

D. TERMS AND CONDITIONS

1. DEFINITIONS

The following terms when used in this tariff, in the Contract and in transactions relating to such tariff or contract shall have the following meanings:

1.1 A "day" shall be a period of twenty-four (24) consecutive hours commencing at seven o'clock (7:00) a.m. Central Standard Time ("CST").

1.2 A "month" shall be a period of one calendar month commencing at seven o'clock (7:00) a.m. CST on the first day of such month.

1.3 A "year" shall be a period of three hundred sixty-five (365) consecutive days commencing and ending at seven o'clock (7:00) a.m. CST, provided that any such year which contains the date of February 29 shall consist of three hundred sixty-six (366) consecutive days.

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5. Deposits (Continued)

Residential

(C) The customer is unable to establish an acceptable credit rating under these standards:

1. Owns or is purchasing a home;
2. Is and has been regularly employed on a full-time basis for at least one (1) year.
3. Has an adequate regular source of income; or
4. Can provide adequate credit references from a commercial credit source.

(D) The customer fails to provide proof of identity upon request. Proof of identity is to include official picture identification or other verifiable documentation of identity, and correct social security number.

(2) The Company may require a deposit or guarantee as a condition of continued residential service if--

(A) The service of the customer has been discontinued by the Company for nonpayment of a delinquent account not in dispute;

(B) In an unauthorized manner, the customer interfered with or diverted the service of the Company situated on or about or delivered to the customer's premises; or

(C) The customer has failed to pay an undisputed bill on or before the delinquent date for five (5) billing periods out of twelve (12) consecutive monthly billing periods. Prior to requiring a customer to post a deposit under this subsection, the utility shall send the customer a written notice explaining the utility's right to require a deposit or include such explanation with each written discontinuance notice.

(3) Deposits for gas service assessed under the provisions of subsection (2)(A) or (C) of this rule during the months of November, December and January may be paid, if the customer is unable to pay the entire deposit, by installments over a six (6)-month period.

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5. Deposits (Continued)

Residential

(4) A deposit shall be subject to the following terms:

(A) It shall not exceed two (2) times the highest bill for utility charges actually incurred or estimated to be incurred by the customer during the most proximate twelve (12)-month period at the service location or, in the case of a new customer, who is assessed a deposit under subsection (1)(C) of this rule, one sixth (1/6) of the estimated annual bill for utility charges at the requested service location;

(B) It shall bear interest at the rate specified below which shall be credited annually upon the account of the customer or paid upon the return of the deposit, whichever occurs first. Interest shall not accrue on any deposit after the date on which a reasonable effort has been made to return it to the customer. Records shall be kept of efforts to return a deposit;

(C) Upon discontinuance or termination other than for a change of service address, it shall be credited, with accrued interest, to the utility charges stated on the final bill and the balance, if any, shall be returned to the customer within twenty-one (21) days of the rendition of the final bill. Such application of deposit and accrued interest to the payment of unpaid bills shall not affect Company's legal right to collect remaining unpaid balances;

(D) Upon satisfactory payment of all undisputed utility charges during the last twelve (12) billing months, it shall be promptly refunded or credited, with accrued interest, against charges stated on subsequent bills. Payment of a charge is satisfactory if received prior to the date upon which the charge becomes delinquent provided it is not in dispute. Payment of a disputed bill shall be satisfactory if made within ten (10) days of resolution or withdrawal of the dispute. The Company may withhold refund of a deposit pending the resolution of a dispute with respect to charges secured by the deposit;

(E) Each customer posting a security deposit shall receive in writing at the time of tender of deposit or with the first bill a receipt as evidence of deposit, unless the Company shows the

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5. Deposits (Continued)

Residential

existence or nonexistence of a deposit on the customer's bill, in which event the receipt shall not be required unless requested by the customer. The receipt shall contain the following minimum information:

1. Name of customer;
2. Date of payment;
3. Amount of payment;
4. Identifiable name, signature and title of the Company employee receiving payment; and
5. Statement of the terms and conditions governing the payment, retention and return of deposits;

(F) The Company shall provide means where a person entitled to a return of a deposit is not deprived of the deposit refund even though s/he may be unable to produce the original receipt for the deposit; provided, s/he can produce adequate identification to ensure that s/he is the customer entitled to refund of the deposit;

(G) No deposit or guarantee or additional deposit or guarantee shall be required by the Company because of race, sex, creed, national origin, marital status, age, number of dependents, source of income, disability or geographical area of residence; and

(H) A customer required to make a deposit may pay the deposit in installments unless the Company can show a likelihood that the customer does not intend to pay for the service.

(5) In lieu of a deposit, the Company may accept a written guarantee. The limit of the guarantee shall not exceed the amount of a cash deposit.

(6) A guarantor shall be released upon satisfactory payment of all undisputed utility charges during the last twelve (12) billing months. Payment of a charge is satisfactory if received prior to the date upon which the charge becomes delinquent provided it is not in dispute. Payment of a disputed bill shall be satisfactory if made within ten (10) days of resolution or withdrawal of the dispute.

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6. Rendering and Payment of Bills

A. General

(1) The Company shall normally render a bill for each billing period to every customer in accordance with its tariff. Bills are payable on or before the due date stated thereon. Failure to receive a bill will not entitle the customer to any discount or to the omission of any charge for nonpayment within the time specified. The word "month" as used herein and in the rates is hereby defined to be the elapsed time of approximately thirty days.

(2) Each bill rendered by the Company shall be computed on the actual usage during the billing period except as follows:

(A) The Company may render a bill based on estimated usage:
(i) when extreme weather conditions, emergencies, labor agreement or work stoppages prevent actual meter readings; and (ii) when the Company is unable to obtain access to the customer's premises for the purpose of reading the meter or when the customer makes reading the meter unnecessarily difficult. If the Company is unable to obtain an actual meter reading for the reasons stated under (ii) above, where practicable, it shall undertake reasonable alternatives to obtain a customer reading of the meter, such as mailing or leaving postpaid, pre-addressed postcards upon which the customer may note the reading unless the customer requests otherwise.

(B) The Company shall not render a bill based on estimated usage for more than three (3) consecutive billing periods, except under conditions described above.

(C) Under no circumstances shall the Company render a bill based on estimated usage as a customer's initial or final bill for service unless conditions beyond the control of the Company prevent an actual meter reading.

(D) When the Company renders an estimated bill in accordance with these rules, it shall--

1. Maintain accurate records of the reasons for the estimate and the effort made to secure an actual reading;

2. Clearly and conspicuously note on the bill that it is based on estimated usage; and

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6. Rendering and Payment of Bills (Continued)

3. Use customer-supplied readings, whenever possible, to determine usage.

(E) When the Company underestimates a residential customer's usage, the customer shall be given the opportunity, if requested, to make payments in installments.

(3) If the Company is unable to obtain an actual meter reading for three (3) consecutive billing periods, the Company shall advise the customer by first class mail or personal delivery that the bills being rendered are estimated, that estimation may not reflect the actual usage and that the customer may read and report gas usage to the Company on a regular basis. The procedure by which this reading and reporting may be initiated shall be explained. The Company shall attempt to secure an actual meter reading from customers reporting their own usage at least annually. These attempts shall include personal contact with the customer to advise the customer of the regular meter reading day. The Company shall offer appointments for meter readings on Saturday or prior to 9:00 p.m. on weekdays. Discontinuance of the service of a customer who is reading and reporting usage on a regular basis because of inability to secure an actual meter reading shall not be required.

(4) If a customer fails to report usage to the Company, the Company shall obtain a meter reading at least annually. The Company shall notify the customer that if usage is not reported regularly by the customer and if the customer fails, after written request, to grant access to the meter, then service may be discontinued pursuant to 4 CSR 240-13.050.

(5) Notwithstanding section (2) of this rule, the Company may bill its customers in accordance with equal payment billing programs at the election of the utility customer, provided the equal payment billing program has been previously approved by the commission.

(6) The Company may bill its customers on a cyclical basis if the individual customer receives each billing on or about the same day of each billing period. If the Company changes a meter reading route or schedule which results in a change of nine (9) days or more of a billing cycle, notice shall be given to the affected customer at least fifteen (15) days prior to the date the customer receives a bill based on the new cycle.

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10. Meter Tests and Billing Adjustments (Continued).

- (E) When the Customer has been undercharged, except as provided in (D) of this Rule, and a billing adjustment is made, the Customer may elect to pay the amount of the adjustment in equal installments over a period not to exceed the period for which the billing adjustment was applicable.

11. Piping and Equipment

All pipe and equipment beyond Company's meter and accessories thereto, necessary to utilize service furnished by Company, shall be installed by and belong to the customer, or owner, and must be maintained at all times in safe operating conditions and at his expense. The customer, or owner, shall bring his piping to a point for connection to Company's meter or meters at a location satisfactory to Company which provides easy access to the meter or meters. Any change of location of service line or meter requested by the customer shall be done by Company according to the charges set forth on Sheet No. 31.

Relocation charges may be waived by the Company under the following circumstances:

- a) Upon determination by the Company that relocation of Company-owned facilities is necessitated by a pre-existing condition, not attributable to the customer, such that safe and normal operation of the Company's facilities is obstructed if the discovered condition is left uncorrected.
- b) Upon confirmation that relocation of Company-owned facilities is to be performed concurrent with an increase in the customer's annual gas consumption, and that the estimated revenue resulting from such increased consumption covers the cost of the relocated facilities, including a sufficient return on the investment in such facilities.

If, upon determination by the Company that relocation of Company owned-facilities is necessitated by previous action attributable to the customer, such that safe and normal operation of the Company's facility is obstructed, and the customer fails to agree to corrective measures at the customer's expense, the customer shall be subject to provisions contained in this tariff under Rules 13, 14, and 19.

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11. Piping and Equipment (Continued)

Upon written request of the customer, or owner, Company will at its convenience make repairs to, replacements of, or clear obstructions in lines of the customer, or owner, and may charge the customer, or owner, for such labor and material as is necessary to place his lines in good operating condition.

12. Customer's Liability

The customer will be held responsible for breaking seals, tampering or interfering with Company's meter or meters or other equipment of Company installed on the customer's premises, and no one except employees of Company shall be allowed to make any repairs or adjustments to any meter or regulator belonging to Company.

Properly authorized employees of the Company shall have the right to enter the premises of the customer, or owner, at all reasonable hours and at any time in the case of an emergency, for the purpose of making such inspection of the customer's installation as may be necessary for

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LACLEDE GAS COMPANY
Cumulative Impact of Rate Design Changes on a "Typical" Residential Customer
Case No. GR-96-193

Month	(A) Therm Usage	(B) Present Rates	(C) Proposed Rates	(D) (C)-(B)	(E) (D)/(B)
October	38.8	\$27.83	\$28.96	\$1.13	4.06%
November	90.1	51.86	53.20	1.34	2.58%
December	166.8	85.52	87.13	1.61	1.88%
January	218.9	108.38	110.18	1.80	1.66%
February	202.1	101.01	102.74	1.73	1.71%
March	147.6	77.09	78.64	1.55	2.01%
April	89.1	51.42	52.76	1.34	2.61%
May	49.2	32.34	33.51	1.17	3.62%
June	33.5	25.53	26.65	1.12	4.39%
July	25.9	22.24	23.32	1.08	4.86%
August	25.5	22.06	23.15	1.09	4.94%
September	28.0	23.15	24.24	1.09	4.71%
Total	<u>1,115.5</u>	<u>\$628.43</u>	<u>\$644.48</u>	<u>\$16.05</u>	2.55%

\$1.34 per month

Applicable Rates		
Present Laclede Rates		
Customer Charge	\$11.00	
	Winter	Summer
1st 65 Therms	\$0.42006	\$0.39472
Over 65 Therms	\$0.39978	\$0.37444
PGA Factor*	\$0.03908	\$0.03908
Proposed Laclede Rates		
Customer Charge	\$12.00	
	Winter	Summer
1st 65 Therms	\$0.42275	\$0.39690
Over 65 Therms	\$0.40206	\$0.37622
PGA Factor**	\$0.04029	\$0.04029

- Notes:
- * Includes June 26, 1996 CPGA factors adjusted to reflect GR-96-193 test period volumes.
 - ** As above, adjusted to reflect modification to the manner in which pipeline capacity reservation charges are allocated to Laclede's customer classes as discussed in Paragraph 4.B. of the Stipulation and Agreement in this proceeding.

ATTACHMENT 2

Laclede Gas Company
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SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts

1. Such excess or deficiency in total gas cost recovery, for each sales classification (firm, and seasonal and interruptible) and for each transportation classification (firm and basic) shall be determined by a monthly comparison of the actual cost of gas, net of storage injections and withdrawals, as shown on the Company's books and records, exclusive of refunds, for each revenue month to the gas cost revenues recovered for such revenue month.

2. Each component of actual gas cost shall be allocated to the sales and transportation classifications in accordance with the CPGA components described in Paragraph 2 of Section A above relating to each component and based on the volumes sold and/or transported to the applicable customer classification during the twelve month period ending with the September revenue month. The actual costs of propane peak shaving supplies and penalties will be allocated solely to firm sales customers.

3. The amount of gas cost revenues recovered each month for the sales classes shall be the product of the actual therm sales of each sales class and the gas cost revenue recovery components for such sales class. Such revenue recovery components shall be the sum of the base unit cost of gas for each sales class (as set forth in Section F) and the CPGA applicable to each sales class.

4. The amount of gas cost revenues recovered each month for the transportation classes shall be the product of the actual therms transported and the "Additional Transportation Charges," where applicable, specified in the Company's Large Volume Transportation and Sales Service tariff.

5. The Deferred Purchased Gas Cost Account shall be credited for those revenues received by the Company for the release of pipeline transmission or leased storage capacity to another party other than those revenues which are retained by the Company as described in Section D.1.a. below. Such revenues will be allocated to firm sales and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b.

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SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts (Continued)

6. For each twelve-month period ending with the September revenue month, the differences of the comparisons described above including any balance or credit for the previous year shall be accumulated to produce a cumulative balance of excess or deficiency of gas cost revenue recovery. "Actual Cost Adjustment" (ACA) factors shall be computed by dividing these cumulative balances by the applicable estimated sales or transportation volumes during the subsequent twelve-month period beginning with the December revenue month for each of the respective sales and transportation classes. All actual ACA revenue recovered shall be debited or credited to the balance of the ACA account as appropriate and any remaining balance shall be reflected in the subsequent ACA computations.

7. These ACA adjustment factors shall be rounded to the nearest .001¢ per therm and applied to billings commencing with the December revenue month to the applicable sales and transportation classes.

With the exception of the ACA factors made effective in November 1995 which will terminate after October 1996, these ACA factors shall remain in effect until superseded by subsequent ACA factors calculated according to this provision. The Company shall file ACA factors in the same manner as all other Purchased Gas Adjustments.

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D. Gas Supply Incentive Plan

This Section D establishes a Gas Supply Incentive Plan ("GSIP") mechanism whereby the Company and its customers share in specified savings and revenues realized by the Company in acquiring, utilizing and managing its system gas supply assets.

The GSIP recognizes that the Company has agreed to bear the risk of certain increases in its gas supply procurement costs and is designed to provide the Company with incentives to minimize the costs incurred in the acquisition, and to maximize revenues generated from the management and utilization, of such assets.

1. Effective October 1, 1996, the Company shall retain in an Incentive Revenue ("IR") Account a portion of certain savings the Company realizes in connection with the acquisition and management of its gas supply and transportation portfolio

a. The Company shall credit its Deferred Purchased Gas Cost Accounts for the difference between the total revenues it realizes from the release of pipeline transmission or pipeline storage capacity to another party and that portion of such revenues which the Company shall retain in the IR Account according to the following percentages:

<u>Capacity Release Revenues</u>	<u>Company Retention %</u>
First \$1,500,000	10%
Next \$1,500,000 to \$2,500,000	\$150,000 plus 20% of amount above \$1,500,000
Amounts over \$2,500,000	\$350,000 plus 30% of amount above \$2,500,000

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D. Gas Supply Incentive Plan (Continued)

b. The Company shall debit an Incentive Adjustment ("IA") Account and credit the IR Account for the following amounts retained by the Company for firm transportation discounts on any interstate or intrastate pipeline, including discounts for firm transportation which may be bundled with gas supply. In the event the maximum rates used to initially calculate the debit to the IA Account shall have been approved by the responsible regulatory authority on an interim basis subject to refund, the IA Account will be subsequently adjusted, if necessary, to reflect the finally approved rates for the time during which the interim rates were in effect.

Firm Transportation DiscountCompany
Retention %

Discounts reflected in Company's rates subsequent to December 1, 1995 and subject to final negotiation and execution of transportation agreement

10%

Discounts first reflected in Company's rates after October 1, 1996 pursuant to agreements finally negotiated and executed subsequent to such date

20%

c. The Company shall debit or credit the IA Account and credit or debit the IR Account with 50% of the decrease or increase, respectively, in the costs the Company incurs to purchase natural gas supplies from any producer or marketer ("Procurement Costs") for system supply purposes in accordance with the following procedure and definitions:

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D. Gas Supply Incentive Plan (Continued)

i) A benchmark unit cost of gas shall be established for each month of the Company's ACA year which shall be set equal to the weighted average spot cost of gas, as defined in (ii) below, plus 3.2%.

ii) A weighted average spot cost of gas shall be developed by using Inside FERC Gas Market Report first-of-the-month indices and weighting the "NorAm Gas Transmission-East" and "Trunkline-Louisiana" indices by 60% and 40% respectively.

iii) A benchmark cost of gas shall be computed for each month of the ACA year by multiplying total natural gas purchase volumes for system supply by the benchmark unit cost calculated in (i) above.

(iv) A cumulative benchmark cost of gas shall be computed by summing the benchmark cost of gas for all of the months of the ACA year or portion thereof.

(v) At the end of each ACA year, the Company shall compare the cumulative benchmark cost of gas to the actual cumulative cost of purchased natural gas supplies for system supply purposes.

(vi) If the Company's cumulative actual cost of gas is greater than the cumulative benchmark cost of gas but less than or equal to 104% of the cumulative benchmark cost of gas, the IA Account is not affected and actual Procurement Costs are deemed to be prudent.

(vii) If the cumulative actual cost of gas is greater than 104% of the cumulative benchmark cost of gas but less than or equal to 110% of the cumulative benchmark cost of gas, the IA Account is credited and the IR Account is debited with 50% of the difference between the cumulative actual cost of gas and 104% of the cumulative benchmark cost of gas and actual Procurement Costs are deemed to be prudent.

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D. Gas Supply Incentive Plan (Continued)

(viii) If the cumulative actual cost of gas is greater than 110% of the cumulative benchmark cost of gas, the IA account is credited and the IR Account is debited with 50% of the maximum difference computed in (vii) above and those gas costs in excess of 110% of the cumulative benchmark cost of gas shall be subject to a prudence review.

(ix) If the cumulative actual cost of gas is less than the cumulative benchmark cost of gas but not less than 94% of the cumulative benchmark cost of gas, the IA Account is debited and the IR Account is credited with 50% of the difference.

(x) If the cumulative actual cost of gas is less than 94% of the cumulative benchmark cost of gas, the IA Account is debited and the IR Account is credited with 50% of the maximum difference computed in (ix) above.

d. The Company shall credit its Deferred Purchased Gas Cost Accounts for 70% of off-system sales net revenues as such revenues are defined and accounted for below. The Company will credit its IR Account for 30% of such revenues which revenues shall be retained by the Company.

Definitions

Off-system Marketing Sales (OF-Sales) are herein defined as any Company sale of gas, or gas bundled with pipeline transportation, made to parties other than the Company's transportation customers or their agents. OF-Sales shall not be made where ultimate consumption is for consumers who receive regular local distribution company ("LDC") gas sales or LDC transportation service from the Company. OF-Sales shall not be made to any affiliate of the Company and none of the provisions of this Section D.1.d. shall apply to any Company non-regulated marketing affiliate.

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D. Gas Supply Incentive Plan (Continued)

Off-system Sale Revenues (OF-Revenues) are the actual revenues received by the Company from an OF-Sale.

Cost of Gas Supply (CGS) is the commodity cost related to the purchase of gas supply, exclusive of transportation costs.

Off-system Cost of Gas Supply (OF-CGS) is the commodity cost related to the purchase of gas supply, exclusive of transportation costs, for a proposed OF-Sale. The OF-CGS is equal to the highest CGS from the CGS-Schedule (as defined below) associated with the quantity of actual OF-Sales for the pipeline on which the sale is made. The total OF-CGS to be booked as a cost to the OF-Sales Accounts shall be equal to the sum of the multiplication of the gas cost of each individual transaction by the associated quantities actually sold as shown on the CGS-Schedule.

Off-system Cost of Transportation (OF-COT) is the incremental cost of transportation related to the delivery of the gas supply for an OF-Sale to the point of delivery. The OF-COT shall include all commodity related transportation costs, including fuel, associated with the OF-Sale. OF-COT shall not include non-commodity related LDC system supply transportation costs.

Off-system Net Revenue (OF-Net-Revenue) is equal to OF-Revenues minus OF-CGS and OF-COT.

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D. Gas Supply Incentive Plan (Continued)Accounting

The Company shall maintain separate revenue and expense accounts to record its OF-Sales transactions, which accounts shall be audited and subject to modification by the Commission at the same time the Company's other gas costs for system supply purposes are reviewed pursuant to the ACA process. Each OF-Sales transaction shall be accounted for and analyzed separately.

Record Keeping

For the first day of each month and for each day where a subsequent change in the cost of gas supplies or in the cost of delivery thereafter occurs, the Company shall construct and retain a CGS-Schedule. This CGS-Schedule shall provide contract volumes, scheduled volumes, available volumes, unit commodity cost of gas, and unit transportation costs associated with the delivery of gas to the Company's city gate for all of the Company's gas supply contracts. The CGS-Schedule will also provide information relating to any OF-Sales. This information will include the location of sale, volume sold, sales price, total revenue from the sale, the unit commodity cost of gas used for the sale, unit transportation costs to point of sale, any other costs or cost reductions associated with the sale (eg. avoided penalty costs) and the total costs associated with the sale.

To the extent that the CGS-Schedule costs associated with the OF-Sales are different than the costs accrued for each transaction, the Company will prepare and retain a complete explanation and related records regarding such difference. If the CGS associated with the volumes of gas distributed to Company's system sales customers is at a higher cost than the OF-CGS for the OF-Sale, the Company shall document all reasons for each such occurrence and shall retain the documentation explaining such costing.

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D. Gas Supply Incentive Plan (Continued)

For purposes of allocation to the Deferred Purchased Gas Cost Accounts, 50% of the foregoing net revenues shall be deemed to be gas supply related and allocable to firm sales customers only and 50% shall be deemed to be transportation capacity related and allocable to both firm sales customers and firm transportation customers, consistent with the allocation of capacity reservation charges set forth in Section A.2.b., unless the net revenues from OF-Sales do not include the provision of transportation service, in which case 100% of such net revenues shall be allocable to firm sales customers.

Limitation On Sales

The Company's OF-Sales shall be made on an as-available basis. The term of each sale shall not exceed one month.

The Company shall make no individual OF-Sales where a negative margin results.

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. 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 December revenue month, 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.

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D. Gas Supply Incentive Plan (Continued)

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.

5. Unless terminated in accordance with subparagraph D.4., the GSIP shall be effective through September 30, 1999.

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E. Filing Requirements

At least ten business days before applying any Purchased Gas Adjustment(s), the Company shall file with the Commission an Adjustment Statement showing:

1. The computation of the revised CPGA, refund and ACA factor;
2. A revised PGA Tariff Sheet No. 29 setting forth the rate classes of the Company to which the Purchased Gas Adjustment(s) is to be applied, the net amount per therm, expressed to the nearest .001¢ to be used in computing the Total Purchased Gas Adjustment (sum of CPGA, refund and ACA) applicable to customers' bills under each rate schedule, and the effective date of such adjustment.
3. The Company shall also file with the Commission, as soon as available, copies of any orders or other pertinent information applicable to the wholesale rate(s) charged the Company by its suppliers. Any supporting material disclosing market-specific information will be designated "Highly Confidential" and will only be made available to the Missouri Public Service Commission or to any party that executes a non-disclosure statement.

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F. STANDARD VOLUMES, BASIC RATES AND GAS COSTS.

THE FOLLOWING STANDARD VOLUMES, BASIC RATES AND GAS COSTS SHALL BE USED
FOR PURPOSES OF PARAGRAPH A. HEREOF:

	THERMS
FIRM SALES	842,766,046
SEASONAL & INTERRUPTIBLE SALES	8,677,374
TOTAL SALES	851,443,420
FIRM TRANSPORTATION	74,664,795
BASIC TRANSPORTATION	114,330,711
AUTHORIZED OVERRUN	1,172,942
TOTAL THROUGHPUT	1,041,611,868
TOTAL PURCHASES	873,820,923

	COST PER THERM
BASE GAS COST PER THERM EFFECTIVE SEPTEMBER 1, 1992	
FIRM SALES	\$0.28489
SEASONAL & INTERRUPTIBLE SALES	\$0.23570

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PURCHASED GAS ADJUSTMENT CLAUSE

Adjustment Statement

In accordance with the Company's Purchased Gas Adjustment Clause contained in Sheet Nos. 15 through 28-d, inclusive and the Company's Purchased L.P. Gas Adjustment Clause contained on Sheet No. 8, the following adjustments per therm or per gallon, where applicable, will become effective on and after the effective date of this tariff.

Sales Classification	Current PGA	ACA	Refund	Total Adjust- ment
Firm	3.943¢	1.065¢	(0.139¢)	4.869¢
Seasonal & Interruptible	1.284¢	2.129¢	(0.000¢)	3.413¢
L.P.	9.028¢	(4.612¢)	---	4.416¢

Firm Gas Service is rendered under General Service Rate (Sheet No. 2), the Large Volume Service Rate (Sheet No. 5), the Unmetered Gas Light Service Rate (Sheet No. 9), Vehicular Fuel Rate (Sheet No. 11) and all special contracts for firm service.

Seasonal and Interruptible Service is rendered under the Seasonal Air Conditioning Service Rate (Sheet No. 4), and the Interruptible Service Rate (Sheet No. 7).

L.P. Gas Service is rendered under the General L.P. Gas Service Rate (Sheet No. 8).

Additional Transportation Charges, ACA Factors, Refunds and IA Factors

Customer Groups	TOP	Capacity Reservation	Other Non- Commodity	ACA	Refund
Firm	---	5.443¢	---	.450¢	(0.245¢)
Basic - Firm Sales Prior to November 15, 1989	---	---	---	.008¢	(0.012¢)
Basic - Other	---	---	---	.008¢	(0.007¢)

The above Current PGA Factors are based on wholesale pipeline gas cost levels, per therm, which include TOP, Capacity Reservation and Other Non-Commodity.

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ATTACHMENT 2A

Summary of Gas Supply Incentive Plan

As stated in Paragraph 3 of the Stipulation and Agreement, certain parties to this proceeding have proposed, for Commission consideration, a Gas Supply Incentive Plan (GSIP), whereby Laclede and its customers would share in specified savings and revenues realized by Laclede in acquiring, utilizing and managing its system gas supply assets. The GSIP recognizes that Laclede has agreed to bear the risk of certain increases in its gas supply acquisition costs, and it is designed to provide Laclede with incentives to minimize such costs, and to maximize the efficient management and utilization of its gas supply assets by generating incremental net revenues from off-system sales for sharing with its regular service area utility customers.

The GSIP has many features similar to the gas cost incentive mechanism approved by the Commission for Missouri Gas Energy (MGE) in Phase II of Case No. GO-94-318. Like the MGE Plan, the GSIP includes a sharing mechanism for capacity release revenues, as well as an incentive for Laclede to minimize its gas supply acquisition costs. However, the parties have adjusted the MGE Plan to reflect the gas supply related conditions on Laclede's system, and expanded the incentive plan to include a sharing mechanism for off-system sales net revenues and firm transportation

discounts. The specific provisions of the GSIP are set forth below.

a) Revenues derived from the release of pipeline transmission or storage capacity will be shared as follows:

<u>Capacity Release Revenues</u>	<u>Company %</u>	<u>Customer %</u>
First \$1,500,000	10%	90%
Next \$1,500,000-2,500,000	20%	80%
Over \$2,500,000	30%	70%

The increase in the Company's percentage of revenues is designed to give the Company a greater incentive to pursue additional marginal capacity release opportunities that might otherwise go unexploited.

b) Revenues derived from firm transportation discounts on any interstate or intrastate pipeline will be shared as follows:

<u>Firm Transportation Discount</u>	<u>Company %</u>	<u>Customer %</u>
Discounts reflected in Company's rates subsequent to December 1, 1995 and subject to final negotiation and execution of transportation agreement	10%	90%
Discounts first reflected in Company's rates after October 1, 1996 pursuant to agreements finally negotiated and executed subsequent to such date	20%	80%

c) Laclede will share costs and savings associated with its purchase of gas supplies from any producer or marketer as follows:

(i) If Laclede's cumulative cost of gas during an Annual Cost Adjustment year is between the cumulative benchmark cost of gas ("Benchmark") (defined as the applicable weighted average spot cost of gas plus 3.2%, which is Laclede's historical premium during the two most recent ACA periods) and 104% of the Benchmark, the gas costs will be recovered through the normal PGA/ACA process and will be deemed to be prudent.

(ii) If Laclede's cumulative cost of gas is greater than 104% of the Benchmark, but less than or equal to 110% of the Benchmark, the Company shall bear 50% of the difference between the cumulative cost of gas and 104% of the Benchmark, and the gas costs will be deemed prudent.

(iii) If Laclede's cumulative cost of gas is less than the Benchmark, but not less than 94% of the Benchmark, the Company shall retain 50% of the difference between the Benchmark and the cumulative cost of gas.

(iv) If Laclede's cumulative cost of gas exceeds 110% of the Benchmark, the cost in excess of 110% of the Benchmark shall be subject to a prudence review. If Laclede's cumulative cost of gas is below 94% of the Benchmark, the Company shall not retain any of the cost savings below 94% of the Benchmark.

d) Net revenues derived from off-system marketing sales shall be shared, with 30% allocated to the Company and 70% allocated to the customers.

By its terms, the GSIP will become effective October 1, 1996 for a three year period, and terminate on September 30, 1999.

ATTACHMENT 3

DEPRECIATION RATE CHANGES

Account	Description	Recovery Period	Net Salv.	Depr. Rate
361.00	Structures and Improvements	10 yrs.	-217%	22.20%
362.00	Gas Holders	10 yrs.	-91%	11.28%

LACLEDE GAS COMPANY
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COMPARISON OF STAFF FILED POSITION RE. % OF TOTAL REVENUE WITH SETTLEMENT RESULTS

	General Service			Liquid Propane	Gas Lights	Large Commercial and Industrial				
	Residential	SGS	Total GS			Large Volume Sales	Interruptible Sales	Basic Transport	Firm Transport	Total Large C&I
Current Percentages	70.99%	22.10%	93.10%	0.04%	0.01%	2.95%	0.40%	1.35%	2.14%	6.85%
Staff Filed Position	72.36%	21.14%	93.50%	0.04%	0.01%	N/A	N/A	N/A	N/A	6.45%
Settlement	71.47%	21.92%	93.39%	0.04%	0.01%	2.91%	0.40%	1.34%	1.90%	6.56%

NOTE : N/A indicates that the party did not break customers into that particular category in their C-O-S study.

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Anne Ross

06-Aug-96

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