

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	)	CASE NO. GR-94-220
customers in the Missouri service area	)	
of the company.	)	

APPEARANCES:

Gerald T. McNeive, Jr., Associate General Counsel, and  
Michael C. Pendergast, Assistant General Counsel,  
720 Olive Street, St. Louis, Missouri 63101,  
For Laclede Gas Company.

Thomas M. Byrne, Attorney at Law, 9900 Clayton Road,  
St. Louis, Missouri 63124, For Mississippi River  
Transmission Corporation.

Diana M. Schmidt, Attorney at Law, Peper, Martin, Jensen,  
Maichel and Hetlage, 720 Olive Street, 24th Floor,  
St. Louis, Missouri 63101, For American National  
Can Company, Anheuser-Busch Companies, Inc.,  
Chrysler Motors Corporation, Ford Motor Company,  
General Motors Corporation, MEMC Electronic Materials,  
Inc., McDonnell Douglas Corporation, Monsanto Company,  
and Nooter Corporation.

Paul A. Agathen, General Attorney, P. O. Box 149,  
St. Louis, Missouri 63166, For Union Electric Company.

John B. Coffman, Randy Bakewell, Assistant Public Counsels  
P. O. Box 7800, Jefferson City, Missouri 65102,  
For the Office of the Public Counsel and the Public.

Robert J. Hack, General Counsel and Roger W. Steiner,  
Assistant General Counsel, P. O. Box 360, Jefferson City,  
Missouri 65102, For: the Staff of the Missouri Public  
Service Commission.

Hearing

Examiners:

Joseph A. Derque III and Anne Wickliffe Freeman.

REPORT AND ORDER

On January 14, 1994, Laclede Gas Company (Laclede or the company) submitted to the Missouri Public Service Commission (Commission) proposed tariff sheets reflecting increased rates for gas service provided to the customers in its Missouri service area. The tariff sheets were designed to produce an

increase of approximately \$27,100,000, or 5.3 percent, in revenues and to take effect on February 14, 1994. On the same date, Laclede filed an application for variance requesting that it be granted a delay in submitting its depreciation study, data base and property unit catalog in compliance with 4 CSR 240-40.040 until March 11, 1994. The Commission suspended the proposed tariff sheets to December 14, 1994, and established a procedural schedule by order issued January 28, 1994. The case was set for hearing August 22-26, 1994.

On March 9, 1994, the Commission granted the applications to intervene filed by Union Electric Company, Mississippi River Transmission Corporation, American National Can Company, et. al, and Gas Workers Local 5-6, O.C.A.W., AFL-CIO. The Office of the Public Counsel filed motions for local public hearings which were granted and local hearings were held in St. Louis and in Clayton, Missouri, on July 5, 1994. The parties, with the exception of Gas Workers Local 5-6, O.C.A.W., AFL-CIO, participated in a prehearing conference beginning on July 19, 1994. The parties resolved the issues and filed their Stipulation and Agreement on August 1, 1994.

On August 10, 1994, in open hearing, the parties presented the Stipulation and Agreement to the Commission for approval and placed their prefiled testimony on the record. The parties waived cross-examination of the witnesses and the reading of the transcript by the Commission.

### **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:

On January 14, 1994, Laclede Gas Company filed proposed tariff sheets reflecting increased rates for gas service provided to the customers in its

Missouri service area. The tariff sheets were designed to produced an increase of approximately \$27.1 million, or 5.3 percent, in revenues and to take effect on February 14, 1994. On the same date, Laclede filed an application for variance requesting that it be granted a delay in submitting its depreciation study, data base and property unit catalog in compliance with 4 CSR 240-40.040 until March 11, 1994. The Commission suspended the proposed tariff sheets to December 14, 1994, and set the case for hearing August 22-26, 1994.

On August 1, 1994, Laclede, the Commission Staff, the Office of the Public Counsel, and the intervenors, filed a Stipulation and Agreement with the Commission signed by all parties which proposed to settle the issues. That Stipulation and Agreement is attached to this Report and Order and incorporated herein by reference. The Commission conducted a hearing on August 10, 1994, for the purpose of receiving prefiled testimony into the record and considering the parties' stipulation for approval. The parties waived cross-examination of the witnesses and the reading of the transcript by the Commission. The Stipulation and Agreement provides for Laclede to file revised tariff sheets, effective for service on and after September 1, 1994, designed to produce an increase in overall Missouri jurisdictional gross annual gas revenues of \$12.2 million dollars, exclusive of any applicable license, occupation, franchise, gross receipts tax, or other similar fees or taxes. The tariff sheets and rate schedules agreed to by the parties include changes to Laclede's General Terms and Conditions for gas service as well as rate changes. The company has agreed to conduct a detailed analysis of the characteristics of its distribution system before its next rate case in order to improve the accuracy of information needed for class cost of service studies.

The parties have agreed that Laclede will book pensions and OPEB's (other post-retirement benefits), for financial purposes, and amortize unrecognized gains and losses over a ten-year period, according to Financial Accounting Standards Board Statements (FAS) 87 and 106, and in compliance with Section 386.315, RSMo Supp. 1994. Laclede will fund its OPEB obligations in accordance with Section 386.315 which requires an external funding mechanism. The parties agree that, for the purposes of this case, the expense calculations for pensions and OPEB's made by Laclede's actuaries and accountants shall be deemed to be based on sound actuarial assumptions, satisfying the requirements of Section 386.315.1. The parties agree that Laclede should be allowed to defer and book to Account 186 any over- or under-recovery for these expenses up to an annualized allowance of \$6.1 million between September 1, 1994, and the effective date of tariffs approved in its next general rate case. The company has agreed to forego its rights under Section 386.315.3 to file a set of tariffs to bring its ratemaking accounting mechanism into compliance with the statute.

The parties have agreed that the Supplemental Retirement Benefit Plan and Directors' pension plan expenses should be accounted for on a payment basis. The parties have also agreed that the company should be allowed to defer and book to Account 186 any over- or under-recovery for these expenses up to an annualized allowance of \$218,000 between October 1, 1994, and the effective date of tariffs approved in its next general rate case.

Laclede has agreed to investigate the feasibility of implementing a leveraged Company-owned life insurance program.

The parties have agreed that the company should be allowed to defer and book to Account 186 its expenses for replacing lines and mains as described in paragraph 11 of the Stipulation and Agreement during the period

from September 1, 1994, until the effective date of tariffs approved in its next general rate case. The Stipulation and Agreement provides that this deferral of expenses is conditioned on the company's filing a general rate case no later than September 1, 1996.

The parties have agreed that the company should be allowed to defer and book to Account 186 its expenses and payments received in connection with the dismantling of former manufactured gas operations and disposal of materials as described in paragraph 12 of the Stipulation and Agreement during the period from September 1, 1994, until the effective date of tariffs approved in its next general rate case. The Stipulation and Agreement provides that this deferral of expenses is conditioned on the company's filing a general rate case no later than September 1, 1996.

Ordinarily the granting of authority to defer expenses is allowed only for extraordinary expenses since it violates the matching principle. Although the issue of whether the expenses granted deferral by the Stipulation and Agreement in this case was not litigated, the Commission finds that these expenses are extraordinary and that deferral is appropriate under the terms of the Stipulation and Agreement filed.

The company has agreed to adopt, effective September 1, 1994, Staff's proposed method for calculating booked, tax-related depreciation expense as described in paragraph 14 and Attachment 2 of the Stipulation and Agreement.

The parties have agreed that Laclede's depreciation rates should be changed, effective September 1, 1994, to reflect the depreciation rates set out in Attachment 3 of the Stipulation and Agreement.

The parties have agreed that the company will redesign its insulation financing program as described in Attachment 4 of the Stipulation and Agreement.

The parties have agreed that, from September 1 through December 31, 1994, the company will pay interest on customer deposits equal to the prime rate plus one percentage point as published in the Wall Street Journal on August 31, 1994. Thereafter the company will pay interest on customer deposits equal to the prime rate plus one percentage point as published in the Wall Street Journal for the last business day of the preceding calendar year.

The Commission finds that, except to the extent specified in the Stipulation and Agreement filed herein, neither the Commission nor any party to this case has approved or acquiesced in any ratemaking principle or method of cost determination or cost allocation underlying, or allegedly underlying, the Stipulation and Agreement filed August 1, 1994, or the rates for which it provides. The Commission finds that the Stipulation and Agreement represents a reasonable resolution of the issues raised in this case and is in the public interest. Therefore, the Commission adopts the Stipulation and Agreement filed August 1, 1994, and incorporates by reference that document and its attachments.

The reasonable resolution by all parties of complex issues such as those related to FAS 87 and FAS 106, depreciation, deferrals, and class cost of service without extended litigations is generally in the public interest. However, the Commission wishes to note on the record that Laclede's operations and rates have not been the subject of a contested decision since 1978. In addition, in its last three general rate cases, covering the period from January, 1989 to the present, the company has entered into settlements almost uniform in result, i.e., revenue increases of 45 percent of the amount requested in 1989, 47 percent of the amount requested in 1992, and 45 percent of the amount

requested in 1994. Finally, the gas industry is subject to a changed regulatory and, to some extent, financial, environment due to recent FERC orders affecting many gas companies. Because of this company's settlement history, the complexity of issues involved in gas rate regulation, and recent changes in federal regulation, the Commission may require more detailed information in future cases before approving a stipulated settlement.

The Commission finds that the parties have resolved the issues to be addressed by the company's depreciation study, data base and property unit catalog, and the request for variance filed by the company should, therefore, be deemed moot.

#### Conclusions of Law

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

Applicant Laclede Gas Company is a public utility subject to the jurisdiction of the Missouri Public Service Commission pursuant to Chapters 386 and 393 of the Revised Statutes of Missouri, as amended. The Commission concludes that it has legal authority to accept a unanimous Stipulation and Agreement as offered by the parties as a resolution of the issues raised in this case, pursuant to Section 536.060, RSMo (1986). The Commission concludes the resolution of the contested issues reasonable and will approve the Stipulation as submitted.

#### **IT IS THEREFORE ORDERED:**

1. That the Stipulation and Agreement, Attachment A, filed by the parties to this case on August 1, 1994, be adopted by the Commission for resolution of all issues.

2. That the tariffs submitted by Laclede Gas Company on January 14, 1994, to increase general revenue are hereby rejected and Laclede Gas Company is hereby authorized to file in lieu thereof tariffs designed to increase revenue by \$12.2 million in accordance with the Stipulation and Agreement approved in Ordered Paragraph 1, for service on and after September 1, 1994.

3. That Laclede Gas Company be permitted to book its pension and OPEB expenses to FAS 87 and 106 accounts respectively, and shall fund its OPEB accounts in accordance with Section 386.315, RSMo Supp. 1994.

4. That Laclede Gas Company be permitted to defer and book to Account 186 the OPEB expenses particularly described in paragraph 8 of the Stipulation and Agreement approved by this Report and Order.

5. That Laclede Gas Company be permitted to defer and book to Account 186 the expenses associated with its SERP and Directors' pension plans particularly described in paragraph 9 of the Stipulation and Agreement approved by this Report and Order.

6. That Laclede Gas Company be permitted to defer and book to Account 186 the expenses associated with line and main replacement particularly described in paragraph 11 of the Stipulation and Agreement approved by this Report and Order.

7. That Laclede Gas Company be permitted to defer and book to Account 186 the expenses associated with its former manufactured gas operations particularly described in paragraph 12 of the Stipulation and Agreement approved by this Report and Order.

8. That the Commission adopt the depreciation rates set out in Attachment 3 of the Stipulation and Agreement approved by this Report and Order.



9. That, since the parties have resolved the issues to be addressed by the company's depreciation study, data base and property unit catalog, the request for variance be deemed moot.

10. That this Report and Order shall become effective on September 1, 1994.

BY THE COMMISSION

A handwritten signature in cursive script, reading "David L. Rauch".

David L. Rauch  
Executive Secretary

(S E A L)

Mueller, Chm., McClure, Kincheloe,  
and Crumpton, CC., Concur.  
Perkins, C., Absent.

Dated at Jefferson City, Missouri,  
on this 22nd day of August, 1994.

FILED

AUG - 1 1994

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

MISSOURI  
PUBLIC SERVICE COMMISSION

In the matter of Laclede Gas	)	
Company's tariff sheets designed	)	
to increase rates for gas service	)	Case No. GR-94-220
provided to customers in the	)	
Missouri service area of that company.	)	

STIPULATION AND AGREEMENT

On January 14, 1994, Laclede Gas Company ("Laclede") submitted to this 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 February 14, 1994 and were designed to produce an increase of approximately 5.3 percent (\$27,100,000) in charges for gas services.

By Order dated January 28, 1994, the Commission suspended the proposed tariffs and established a procedural schedule for interventions, the prefiling of testimony and exhibits and hearings. Additional procedural dates were subsequently established by the Commission in its Order dated March 9, 1994. In the latter Order, the Commission also granted the applications to intervene filed by Union Electric Company, Mississippi River Transmission Corporation, American National Can Company, et al., and Gas Workers Local 5-6, O.C.A.W., AFL-CIO.

By Order dated April 1, 1994, 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 5, 1994.

Pursuant to the procedural schedule established by the Commission, a prehearing conference was convened on July 19, 1994. Laclede, the Commission Staff, the Office of the Public Counsel and all parties granted intervention appeared and participated at the prehearing conference with the exception of Gas Workers Local 5-6, O.C.A.W., AFL-CIO. 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 twelve million two hundred thousand dollars (\$12,200,000), exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes. Said tariffs and rate schedules shall be effective for service rendered on and after September 1, 1994.

2. The form 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. The tariffs and rate schedules set out in Attachment 1 hereto also reflect other agreements by the Parties, including agreed upon changes or additions to Laclede's General Terms and Conditions for the provision of gas service. Without limiting the generality of the foregoing, these agreements include:

A. Revisions to Laclede's Rate Schedules, including: (1) an increase of \$1.50 in the monthly Residential General Service

customer charge from \$9.50 to \$11.00; (2) an increase of \$1.50 in the monthly Commercial and Industrial General Service customer charge from \$10.80 to \$12.30; and (3) the establishment of blocked rates for the Large Volume Service and Large Volume Transportation and Sales Service ("LVTSS") rate schedules. A more complete description of the rate changes proposed by the Parties herein, including a quantification of the impact of such changes on the average residential customer, is set forth on Attachment 1A to this Stipulation and Agreement.

B. Revisions to Laclede's PGA clause to extend the current notice period for filing PGA changes from ten (10) days to fifteen (15) days;

C. Revisions to Laclede's tariffs governing extension of distribution facilities which are designed to: (1) standardize the investment allowances provided by Laclede for the minimum sized distribution facilities required to connect potential customers with an expected annual usage of 6,000 therms or less by establishing a 75 foot allowance for service lines per potential customer and a 175 foot allowance for mains per potential customer (with an aggregate dollar limitation for both mains and services of \$1,000 per customer); and (2) specify that a revenue/cost analysis will be performed to determine the allowance for such facilities provided to potential customers with an expected annual usage exceeding 6,000 therms.

D. An increase in Laclede's remote meter reading device charge from \$35 to \$50 and the adoption of tariff language specifying Laclede's monthly payment option;

E. Adoption of tariff language describing and mandating Laclede's current practice of applying customer payments first to outstanding charges for utility service; and

F. Revisions to Laclede's LVTSS rate schedule which are designed to: (1) reduce the required notice period for customers desiring to change their daily scheduled quantities (DSQ) of gas from the current requirement of forty-eight (48) hours prior to the effective day of the DSQ schedule change to 10:00 a.m. on the day preceding the effective day of the DSQ schedule change and (2) clarify that such reduction shall be subject to modification in the event such modification is reasonably required by operational considerations.

Prior to its next general rate case proceeding, Laclede agrees to develop and perform an analysis designed to obtain additional data relating to the length, size and other characteristics of Laclede's distribution mains, services, meters and regulators, and the manner in which such characteristics vary by rate classification. The Parties agree that in developing and performing such an analysis, due consideration shall be given to minimizing the administrative costs and resources required to obtain such information, consistent with the goal of obtaining information that can be productively used to enhance the accuracy and precision of future class cost of service studies.

3. Laclede agrees 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 106, respectively.

Such calculations shall reflect the elimination of the "corridor approach", and the institution of the amortization of unrecognized gains and losses over a ten year period to the extent permitted by FAS 87 and 106. In addition, such calculations shall include the market-related value of plan assets calculation of gains and losses as described in FAS 87 and 106.

4. The Parties agree that the rates resulting from this Stipulation and Agreement reflect the adoption by Laclede of FAS 87 for all qualified pension plans and FAS 106 for all OPEB expenses. The parties further agree that Commission approval of this Stipulation and Agreement shall constitute all necessary authorization for Laclede to utilize FAS 87 and FAS 106 for ratemaking purposes.

5. The Parties agree that in setting future rates for Laclede and in determining Laclede's funding obligation for FAS 87 and 106 expenses, the Commission shall not consider the following items existing on the books of Laclede as of the effective date of the tariff sheets authorized in this case:

A. any regulatory liability balances related to FAS 87;  
and

B. any OPEB liability previously accrued by Laclede.

6. The Parties agree that if this Stipulation and Agreement is adopted by the Commission and tariff sheets become effective for service rendered on and after September 1, 1994, that:

A. Laclede shall fund its obligations for OPEBs in accordance with the provisions of Section 386.315 (RSMo. Supp. 1994);

B. Laclede shall forego the opportunity presented by subsection 3 of Section 386.315 to file a set of tariffs to modify its rates for natural gas service to reflect the revenue requirement associated with its expenses for OPEBs, and associated matters; and

C. For purposes of this case, the expense calculations for pensions and OPEBs by Laclede's actuaries and accountants shall be deemed to be based on sound actuarial assumptions for ratemaking purposes. Notwithstanding this presumption, the Staff and other parties shall have the right to review and challenge such actuarial assumptions in any future general rate proceedings initiated by Laclede and this provision shall in no way bind the Staff or the Parties in any future proceeding.

7. Notwithstanding the provisions of paragraph 3 above, in any future general rate case proceeding involving Laclede gas rates, the Parties reserve the right to propose ratemaking adjustments relating to the actuarial assumptions or external funding mechanism used or proposed to be used by Laclede with respect to FAS 87 and FAS 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 such event, Laclede shall implement those changes on a prospective basis, and shall be given reasonable time and opportunity to do so prudently, to avoid incurring financial harm with respect to implementation.

8. The Parties agree that Laclede should be granted accounting authorization 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 the cumulative contributions made by Laclede to its external OPEB funding mechanisms during the deferral period from September 1, 1994 to the effective date of rates established in Laclede's next general rate case proceeding and the cumulative annualized allowance of \$6.1 million received by Laclede in rates during such deferral period for OPEB expenses. 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 such annualized OPEB expense reflected in rates during the deferral period, then such difference, net of any applicable tax effects and including interest and/or carrying costs as calculated pursuant to paragraph 17 of this Stipulation and Agreement, shall be



reflected in the rates established in such general rate case proceeding.

9. The Parties agree that effective with the October 1, 1994, commencement of Laclede's fiscal year, Laclede's Supplemental Retirement Benefit Plan (commonly referred to as "SERP") and Directors' pension plan expenses shall be accounted for on a payment basis, provided that Laclede shall, in a manner similar to paragraph 8 of this Stipulation and Agreement, be granted accounting authorization to defer and book to Account 186 the difference, net of any applicable tax effects, between the cumulative payments made by Laclede in connection with its SERP and Directors' pension plans during the deferral period from October 1, 1994 to the effective date of rates established in Laclede's next general rate case proceeding and the cumulative annualized allowance of \$281,000 received by Laclede in rates during such deferral period for such expenses. The Parties reserve the right to challenge the recovery in future rates of any costs deferred hereby.

10. Laclede agrees that it will investigate the feasibility and merits of implementing a leveraged Company-owned life insurance ("COLI") program. In the event Laclede does implement a COLI program, the Parties agree that the net income generated by the COLI program shall be considered an element of the Company's cost of service in future rate case proceedings.

11. The Parties agree that Laclede should be granted 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 main to the new main in connection therewith, and (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; 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 September 1, 1994, to the effective date of rates established in Laclede's next general rate case proceeding. The Parties further agree 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, 1996. 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 hereby.

12. The Parties agree, subject to the conditions specified herein, that Laclede should be granted 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 September 1, 1994, to the effective date of rates established in Laclede's next general rate case proceeding. The parties further agree that such authorization shall only be triggered to the extent and in the event the cumulative liability incurred by Laclede for such costs during such deferral period is not offset by the cumulative annualized allowance of \$250,000 received by Laclede in rates during the deferral period for such environmental costs, as defined above, as such allowance is reflected in the revenue requirement recommended in this Stipulation and Agreement.<sup>1</sup> In the event the cumulative liability incurred by Laclede for such costs during the deferral period is less than the cumulative amount of such annualized environmental costs reflected in the rates approved herein, then

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<sup>1</sup>Except for purposes of determining any refund liability hereunder, Public Counsel reserves the right to challenge the reasonableness or appropriateness in any future proceeding of the trigger amount provided for herein.

Laclede shall refund, or otherwise reflect in rates, the difference. The Parties further agree that such authorization, and Laclede's refund obligation hereunder, shall become null and void in the event Laclede does not file tariffs proposing a general increase in rates by September 1, 1996. The Parties also reserve the right to challenge the recovery in future rates of any costs deferred hereby.

13. The Parties agree that Laclede shall be authorized to normalize the timing differences inherent in the adoption of the deferred accounting referenced in paragraphs 11 and 12 of this Stipulation and Agreement and in 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.

14. Laclede shall adopt, effective September 1, 1994, Staff's proposed method for calculating booked, tax-related depreciation expense for regulatory and financial accounting purposes, as such method is reflected on Attachment 2 to this Stipulation and Agreement, provided that Laclede shall be permitted by the Commission to charge its deferred tax reserve in the event and to the extent necessary to offset the financial effect on Laclede of any additional tax liability that may be created, at any time, as a result of the adoption of such method. Laclede and Staff agree that the rates provided for in this Stipulation and Agreement reflect the adoption of Staff's method.

The Parties reserve the right to review the cause and amount of such additional liability and challenge the same in subsequent proceedings.

15. The Parties agree that Laclede's depreciation rates for certain plant accounts should be changed, effective September 1, 1994, to reflect the depreciation rates set forth in Attachment 3 to this Stipulation and Agreement.

16. The Parties agree that Laclede shall redesign the terms and conditions of its insulation financing program as described in Attachment 4 to this Stipulation and Agreement.

17. The Parties agree that the interest rate paid by Laclede on customer deposits shall be equal to the prime bank lending rate plus one percentage point as published in The Wall Street Journal for the last business day of the preceding calendar year, provided that the interest rate paid by Laclede from the effective date of the rates established in this proceeding to the end of calendar year 1994 shall be equal to the prime bank lending rate plus one percentage point as published in The Wall Street Journal on August 31, 1994.

18. The Parties agree that the rates in this case reflect recovery of non-OPEB medical costs on a payment basis.

19. None of the signatories to this Stipulation and Agreement shall have been deemed to have approved or acquiesced in any ratemaking or procedural principle or 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.

20. 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 through 18 of this Stipulation and Agreement in total by August 22, 1994, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

21. 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. 1986 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. 1986; and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1986.

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 the 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, provide the 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.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its Order:

(a) approving the specific terms and conditions of this Stipulation and Agreement;

(b) authorizing Laclede to file revised tariffs and rate schedules, in the form attached to the Stipulation and Agreement approved in this case, with an effective date of September 1, 1994, designed to produce an increase in overall Missouri jurisdictional gross annual revenues for natural gas service in the amount of twelve million, two

hundred thousand dollars (\$12,200,000), exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes;

(c) granting Laclede Gas Company authorization to utilize FAS 87 and 106 for regulatory purposes 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 the cumulative contributions made by Laclede to its external OPEB funding mechanisms during the deferral period from September 1, 1994 to the effective date of rates established in Laclede's next general rate case proceeding and the cumulative annualized allowance of \$6.1 million received by Laclede in rates during such deferral period for OPEB expenses; 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 such annualized OPEB expense reflected in rates during the deferral period, then such difference, net of any applicable tax effects and including interest and/or carrying costs as calculated pursuant to paragraph 17 of the Stipulation and Agreement approved in this case, shall be reflected in the rates established in such general rate case proceeding.

(d) granting Laclede Gas Company authorization, effective with the October 1, 1994, commencement of Laclede's fiscal year, 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 the cumulative payments made by Laclede in connection with its SERP and Directors' pension plans during the deferral period from October 1, 1994 to the effective date of rates established in Laclede's next general rate case proceeding and the cumulative annualized allowance of \$281,000 received by Laclede in rates during such deferral period for such expenses.

(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, and (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; 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



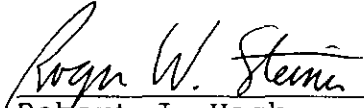
forth at 18 CFR Part 201, minus one percent) which would normally be expensed on the in-service date and which are applicable to amounts to be placed in service in connection with these projects beginning September 1, 1994, to the effective date of rates established in Laclede's next general rate case proceeding, 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, 1996;

(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 September 1, 1994, to the effective date of rates established in Laclede's next general rate case proceeding; specifying that such authorization shall only be triggered to the extent and in the event the cumulative liability incurred by Laclede for such costs during such deferral period is not offset by the cumulative annualized allowance of \$250,000 received by Laclede in rates during the deferral period for such environmental costs, as defined above, as such allowance is reflected in the revenue requirement recommended in this Stipulation and Agreement; specifying that in the event the cumulative liability incurred by Laclede for such costs during the deferral period is less than the cumulative amount of such annualized environmental costs reflected in the rates approved herein, that Laclede shall refund, or otherwise reflect in rates, the difference; and specifying that such authorization, and Laclede's refund obligation hereunder, shall become null and void in the event Laclede does not file tariffs proposing a general increase in rates by September 1, 1996.

(g) granting Laclede Gas Company authorization to implement the depreciation rates set forth on Attachment 3 of the Stipulation and Agreement approved in this case, effective September 1, 1994.

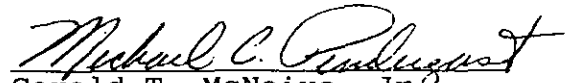
Respectfully Submitted,

STAFF OF THE MISSOURI  
PUBLIC SERVICE COMMISSION

  
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Roger W. Steiner

Staff of the Missouri Public  
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314-751-8705

LACLEDE GAS COMPANY

  
Gerald T. McNeive, Jr.  
Michael C. Pendergast

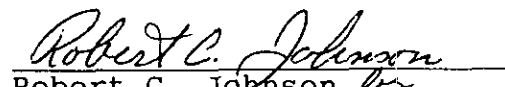
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# LACLEDE GAS COMPANY

GR-94-220

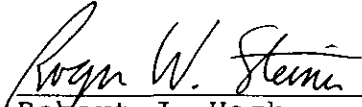
## BASE TARIFF MARGIN RATES

Attachment 1A  
page 1 of 2

	<u>CUSTOMER CHARGE</u>	<u>DEMAND CHARGE</u>	<u>1ST BLOCK THERM CHG.</u>	<u>2ND BLOCK THERM CHG.</u>
<b>GENERAL SERVICE</b>				
RESIDENTIAL				
NOV. - APR.	\$11.00	-	0.13517	0.11489
MAY - OCT.	\$11.00	-	0.10983	0.08955
COMMERCIAL				
NOV. - APR.	\$12.30	-	0.13517	0.11489
MAY - OCT.	\$12.30	-	0.10983	0.08955
INDUSTRIAL				
NOV. - APR.	\$12.30	-	0.13517	0.11489
MAY - OCT.	\$12.30	-	0.10983	0.08955
<b>AIR CONDITIONING</b>				
RESIDENTIAL	\$11.00	-	0.10983	0.08955
COMMERCIAL	\$12.30	-	0.10983	0.08955
INDUSTRIAL	\$12.30	-	0.10983	0.08955
<b>LARGE VOLUME</b>				
COMMERCIAL	\$400.00	0.45	0.01724	0.01121
INDUSTRIAL	\$400.00	0.45	0.01724	0.01121
<b>INTERRUPTIBLE</b>				
COMMERCIAL	\$400.00	-	0.06282	0.04843
INDUSTRIAL	\$400.00	-	0.06282	0.04843
<b>SPECIAL CONTRACTS</b>				
- SWBT	\$390.00	0.32	0.03389	0.02786
<b>GENERAL L.P. GAS</b>				
RESIDENTIAL	\$10.00	-	0.12764	-
			0.11717 per gallon	-
COMMERCIAL	\$10.00	-	0.12764	-
			0.11717 per gallon	-
INDUSTRIAL	\$10.00	-	0.12764	-
			0.11717 per gallon	-
<b>UNMETERED GAS LIGHT</b>				
	\$3.50	-	0.14842	0.07896
			\$2.92 per MU	\$1.56 per MU
<b>TRANSPORTATION</b>				
FIRM				
COMMERCIAL	\$700.00	0.45	0.01724	0.01121
INDUSTRIAL	\$700.00	0.45	0.01724	0.01121
BASIC				
COMMERCIAL	\$700.00	0.45	0.01724	0.01121
INDUSTRIAL	\$700.00	0.45	0.01724	0.01121
<b>THERMS SOLD</b>				
FIRM				
COMMERCIAL	-	-	0.01724	0.01121
INDUSTRIAL	-	-	0.01724	0.01121
BASIC				
COMMERCIAL	-	-	0.01724	0.01121
INDUSTRIAL	-	-	0.01724	0.01121
<b>AUTHORIZED OVERRUN</b>				
FIRM				
COMMERCIAL	-	-	0.03709	-
INDUSTRIAL	-	-	0.03709	-
BASIC				
COMMERCIAL	-	-	0.03709	-
INDUSTRIAL	-	-	0.03709	-
<b>SUBTOTAL</b>				
<b>UNAUTHORIZED USE</b>				
COMMERCIAL	-	-	\$1.00	-
INDUSTRIAL	-	-	\$1.00	-

Respectfully Submitted,

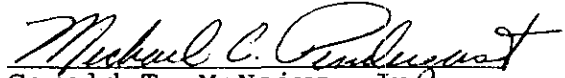
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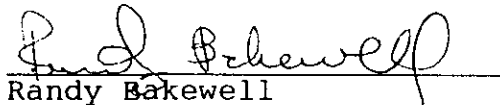
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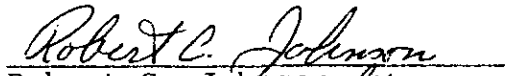
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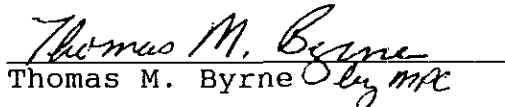
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The Staff's method of calculating tax straight line depreciation for the purpose of determining Laclede's regulated Income Tax expense is based on the Commission's currently prescribed depreciation rates, and the open-ended method of depreciation (defined as continuing to depreciate a property account without regard to its vintage, until the book depreciation rate is set to zero). The Commission's currently prescribed depreciation rates shall be applied to the depreciable asset basis. The depreciable asset basis shall be the Tax Basis which corresponds to the Book Basis of Plant in Service used to calculate book depreciation, and is the asset value used to compute the deduction for depreciation in the Company's federal income tax returns but is reduced by the Tax Basis of property retirements (for property depreciated under tax depreciation methods in which Tax Basis is not otherwise reduced by property retirements).

## DEPRECIATION RATE CHANGES

Account	Description	Average Service Life	Net Salvage	Dept. Rate
362.00	Gas Holders	56	-12%	2.00%
367.70	Steel Mains	77	-32%	1.71%
376.10	Steel Mains	77	-32%	1.71%
376.11	Steel Mains	77	-32%	1.71%
376.70	Steel Mains	77	-32%	1.71%
376.80	Steel Mains	77	-32%	1.71%
376.90	Steel Mains	77	-32%	1.71%
376.20	Cast Iron Mains	70	-70%	2.43%
376.21	Cast Iron Mains	70	-70%	2.43%
376.72	Cast Iron Mains	70	-70%	2.43%
376.30	Plastic Mains	53	-25%	2.36%
376.31	Plastic Mains	53	-25%	2.36%
376.73	Plastic Mains	53	-25%	2.36%
376.83	Plastic Mains	53	-25%	2.36%
376.93	Plastic Mains	53	-25%	2.36%
380.10	Steel Services	45	-107%	4.60%
380.11	Steel Services	45	-107%	4.60%
380.70	Steel Services	45	-107%	4.60%
380.80	Steel Services	45	-107%	4.60%
380.90	Steel Services	45	-107%	4.60%
380.20	Plastic & Copper Services	41	-92%	4.68%
380.21	Plastic & Copper Services	41	-92%	4.68%
380.72	Plastic & Copper Services	41	-92%	4.68%
380.82	Plastic & Copper Services	41	-92%	4.68%
380.92	Plastic & Copper Services	41	-92%	4.68%

381.00	Meters	35	0%	2.86%
381.10	Meters	35	0%	2.86%
381.70	Meters	35	0%	2.86%
381.80	Meters	35	0%	2.86%
381.90	Meters	35	0%	2.86%

INSULATION FINANCING PROGRAM

Laclede shall modify its Insulation Financing Program to contain the following specific provisions, effective sixty (60) days after the effective date of the Order approving the Stipulation and Agreement in this case ("Implementation Date"):

A. The interest rate applied to loans made on and after the Implementation Date shall be three percent (3%) per annum;

B. A minimum of R-38 ceiling insulation shall be required before other measures will be financed, unless it is demonstrated that such R-38 level is not feasible;

C. The amount of loans to be outstanding at any given time, including both existing 5% loans and new 3% loans, shall not exceed \$2 million.

D. Other provisions of the existing Insulation Financing Program shall be continued.