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In the Matter of Laclede Gas Company's) Case No. GR-2007-0208
Tariff to Revise Natural Gas Rate Schedules)

UNANIMOUS STIPULATION AND AGREEMENT

On December 1, 2006, Laclede Gas Company (“Laclede” or “Company”) submitted to the Missouri Public Service Commission (“Commission”) revised tariff sheets reflecting increased rates for gas service provided to customers in its Missouri service area. The proposed tariff sheets contained a requested effective date of January 1, 2007, and were designed to produce an annual increase of approximately \$52.9 million in permanent rates charged for gas service. In addition to the proposed tariff sheets, the Company also submitted its minimum filing requirements and prepared direct testimony in support of the requested rate increase.

By Order dated December 13, 2006, the Commission suspended the proposed tariff sheets and established a procedural schedule for interventions and evidentiary hearings. On January 23, 2007, the Commission issued its Order Establishing Procedural Schedule in which it established additional and revised procedural dates. In various orders, the Commission also granted the applications to intervene filed by the Missouri Energy Group (Barnes-Jewish Hospital and SSM HealthCare); Missouri Industrial Energy Consumers (Anheuser-Busch Companies Inc., The Boeing Company, DaimlerChrysler, Ford Motor Company, General Motors Corporation, Hussmann Refrigeration, J.W. Aluminum, Monsanto Company, Pfizer, Precoat Metals, Proctor & Gamble Manufacturing Company, Nestle Purina, Solutia, and Tyco Healthcare); USW

Local 11-6, the Missouri School Boards Association; and the Missouri Department of Natural Resources.

Pursuant to the procedural schedule established by the Commission, a settlement conference was convened beginning on June 4, 2007. All of the above parties appeared at the settlement conference. As a result of the settlement conference and further discussions, the undersigned parties (the "Parties") have reached the following stipulations and agreements resolving all of the issues in this case.

Laclede respectfully requests that the Commission consider and approve this Stipulation and Agreement, and implementing tariffs, to be effective for service on and after August 1, 2007, or as soon thereafter as reasonably practicable. No party objects to Laclede's request.

Revenue Requirement

1. The undersigned Parties ("Parties") agree and recommend that Laclede be authorized to increase its annual non-gas, Missouri jurisdictional revenues by Thirty Eight Million, Six Hundred Thousand Dollars (\$38,600,000), which includes Five Million, Five Hundred Thousand Dollars (\$5,500,000) in Infrastructure System Replacement Surcharge ("ISRS") revenues that have previously been authorized by the Commission and are already in effect. Revenue amounts referenced in this paragraph are exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar tax or taxes.

Class Cost of Service/Rate Design

2. The Parties agree that the revenue requirement established in this case shall be allocated to each rate class in accordance with the amounts set forth on

Attachment 1 hereto. Within each rate class, the customer charges shall be increased as specified in Attachment 1 hereto and the other rate components in each rate class shall be adjusted by a percentage determined by dividing the remainder of any rate increase by the non-gas revenues of such class excluding customer charges. The Parties further recommend that the first block of Laclede's General Service distribution and Purchased Gas Adjustment ("PGA") rates be reduced to the therm levels set forth on Attachment 1 and that the rate differential between the first and second block of Laclede's General Service PGA rates be reduced by 35%. As part of its next application for a general rate increase, Laclede agrees to furnish data and other information necessary to permit other parties to perform class cost of service and class infrastructure studies.

PGA/ACA

3. The Parties agree that the following modifications and/or adjustments should be made to or through Laclede's PGA/Actual Cost Adjustment ("ACA") mechanism:

(a) Beginning with its November, 2007 PGA/ACA filing, Laclede shall reduce its ACA rates by an estimated Six Million Dollars (\$6,000,000) to reflect the one-time off-system sales and capacity release credits, including interest, due customers pursuant to the sharing mechanism set forth in paragraph 11 of the Stipulation and Agreement in Case No. GR-2005-0284 and further reduce its current PGA (CPGA) rates by Six Million (\$6,000,000) to reflect an ongoing estimate of the customers' share of future off-system sales and capacity release revenues. Such one-time credits shall be based upon actual off-system sale/capacity release results from October 1, 2005 through September 30, 2007. Beginning with the Company's November 2008 PGA/ACA filing,

the Company shall continue to reduce its CPGA rates by an annual level of Six Million Dollars (\$6,000,000), until modified in a general rate case proceeding. The Company shall credit the deferred purchased gas account by the customers' share of actual off-system sales and capacity release margins and the actual amount of the one-time historical off-system sales and capacity release margins due from the sharing mechanism set forth in Paragraph 11 of the Stipulation and Agreement in Case No. GR-2005-0284 (October 1, 2005 through September 30, 2007). Any difference between the PGA revenues and off-system sales and capacity release credits, negative or positive, shall be flowed through to customers in the subsequent ACA period in order to reconcile to actual amounts. The allocation of such credits to customer classes will be the same as the allocation of off-system sales and capacity release margins set forth in paragraph 17 of this Stipulation and Agreement;

(b) Any proceeds received by Laclede as a result of the NYMEX class action lawsuit addressed in Case No. GO-2006-0449 shall be flowed through to customers through a PGA/ACA credit to firm sales customers;

(c) Beginning with the Company's PGA factors that become effective during November 2008, the Company shall use the throughput determinants established in the settlement of this proceeding as the standard volumes for purposes of the calculation of the Company's Current Purchased Gas Adjustment factors. The Company shall file a revised Sheet No. 28-d and related Sheet No. 18-a reflecting the revised standard volumes in advance of such 2008 PGA filing.

Tariff Modifications

4. As part of this Stipulation and Agreement, Laclede is no longer seeking approval of the tariff sheets and rate schedules that it filed in this case on December 1, 2006. Instead, the Parties agree that the specimen tariff sheets and rate schedules set forth in Attachment 2 hereto should be approved as complete replacements for the tariff sheets and rate schedules set forth in Laclede's December 1, 2006 filing. Such tariff sheets contain several modifications to Laclede's existing tariff, including modifications designed to:

- (a) revise service initiation fees to provide for Laclede to charge a lower amount (\$25) to all applicable customers, regardless of whether service initiation required Laclede to visit the premises; however, Laclede's tariff will retain the exception for rental property owners (Tariff Sheet Nos. 31-a and R-41);
- (b) increase reconnection charges for residential customers to \$62 to reflect the increased costs of disconnecting and reconnecting service (Tariff Sheet No. 30);
- (c) on an experimental basis, and subject to compliance with the results of an upcoming Chapter 13 rulemaking and potential revision or termination in Laclede's next rate case proceeding, implement credit scoring as the means of determining when the Company may require deposits for new customers under the terms agreed upon by the Company, Staff and the Office of the Public Counsel (Public Counsel) (Tariff Sheet No. R-5-a);
- (d) eliminate the separate rate schedules, rules and regulations and other tariff provisions currently applicable to customers in the area previously served

by Fidelity Natural Gas Company and apply the rate schedules, rules and regulations approved in this case for Laclede to the service provided to such customers.

- (e) Laclede also agrees at the time it files its next application for a general rate increase, to submit to the parties a new credit scoring study using the same methods, sampling techniques, validation report score ranges and definitions as presented to Staff and Public Counsel in this case.

Pensions and Other Post-Employment Benefits

5. The Parties agree that the rates established in this case for the Laclede Division and Missouri Natural Division pension plans include an allowance of \$4,821,245 (based on the fiscal 2007 ERISA Minimum Contribution of \$942,550 as determined by the Company's actuary and a \$3,878,695 amortization of the existing prepaid pension asset). (All amounts are stated prior to application of transfer rate.) The Company shall continue to be authorized to record as a regulatory asset/liability, as appropriate, the difference between the pension expense used in setting rates and the pension expense as recorded for financial reporting purposes as determined in accordance with GAAP pursuant to FAS 87 and FAS 88 (or such standard as the FASB may issue to supersede, amend, or interpret the existing standards), and that such difference shall be subject to recovery from or return to customers in future rates. The difference between the amount of pension expense included in Laclede's rates and the amount funded by Laclede shall be included in the Company's rate base in future rate proceedings.

6. The Company shall be allowed rate recovery for contributions it makes to its pension trust that exceed the ERISA minimum for any of the following reasons:

- (a) the minimum required contribution is insufficient to avoid the benefit restrictions specified for at-risk plans pursuant to the Pension Protection Act of 2006, thereby causing an inability by Laclede to pay out pension benefits to recipients in its normal and customary manner; and
- (b) avoidance of Pension Benefit Guarantee Corporation (PBGC) variable premiums.

Additional contributions made pursuant to this Paragraph will increase Laclede's rate base by increasing the prepaid pension asset and/or reducing the accrued liability, and will receive regulatory treatment as described in Paragraph 5 of this Agreement. Laclede shall inform the Staff and Public Counsel of contributions of additional amounts to its pension trust funds pursuant to this Paragraph in a timely manner.

7. The provisions of FAS 158 will require certain adjustments to the prepaid pension asset/OPEB asset and/or accrued liability with a corresponding adjustment to equity (i.e., decreases/increases to Other Comprehensive Income). The Company will be allowed to set up a regulatory asset/liability to offset any adjustments that would otherwise be recorded to equity caused by applying the provisions of FAS 158 or any other FASB statement or procedure that requires accounting adjustments to equity due to the funded status or other attributes of the pension or OPEB plans. The parties acknowledge that the adjustments described in this paragraph will not increase or decrease rate base.

8. The Parties further agree that Laclede shall continue to be authorized to revert to the accounting policy it originally implemented upon adoption of FAS 87, for financial reporting purposes only, effective October 1, 2002, including without limitation:

- (a) Market-Related Value implemented prospectively over a four-year period;
- (b) Amortization of unrecognized gains or losses only to the extent that they fall outside of a 10% corridor as described in FAS 87 and FAS 106;
- (c) Amortization of unrecognized gains or losses falling outside of the 10% corridor over the average remaining service life of participants.

9. The Parties further agree that gains and losses for all pension lump-sum settlements shall continue to be calculated only to the minimum extent permitted by FAS 88.

10. The rates established in this case for the Supplemental Retirement Plan (SERP) and Directors Retirement Plan continue to be based on actual payments to participants under these plans.

11. The Parties agree that the rates resulting from this case also make provision for the recovery of Other Post-Employment Benefits ("OPEBs") costs on a FAS 106 basis. The Parties further agree that the Company shall continue to be authorized to apply its accounting policy relative to OPEBs consistent with that specified for FAS 87 above, for financial reporting purposes only, as was initially effective October 1, 2002. For ratemaking purposes, the OPEBs expense in this case was determined using the market-related value implemented prospectively over a four-year period and a five-year amortization of the most recent five-year average of the balance of unrecognized gains and losses, as calculated by the Company's actuary. The Company will continue to use this ratemaking methodology to determine amounts funded into the plans. The parties agree that the rates established in this case for FAS 106 expenses

include an allowance of \$7,572,662 (amount stated prior to application of transfer rate), based on the fiscal 2007 calculation of FAS 106 expense on a ratemaking basis for the qualified plans and payments basis for the non-qualified plans. The Parties further agree that the Company shall be authorized to record as a regulatory asset/liability, as appropriate, the difference between such expense used in setting rates and the FAS 106 financial reporting expense as actually incurred (or such standard as the FASB may issue to supersede, amend or interpret the existing standards), and that such difference shall be subject to recovery from or return to customers in future rates. The difference between the amount of OPEB expense included in Laclede's rates and the amount funded by Laclede shall be included in the Company's rate base in future rate proceedings.

12. In the event that FAS 106 expense becomes negative, the Company shall set up a regulatory liability to offset the negative expense. In future years, when FAS 106 expense becomes positive again, the amount in rates will remain zero until the prepaid asset, if any, that was created by the negative expense is reduced to zero. The regulatory liability will be reduced by the same rate as the prepaid asset. This regulatory liability is a non-cash item and should be excluded from rate base in future years.

Depreciation Issues

13. The Parties agree that the Company's depreciation rates will remain unchanged, except for Account No. 391.02 related to data processing, mainframe and computer equipment which shall have a depreciation rate of 20% (an average service life of five years; zero net salvage value assumed) and Account No. 391.04 related to data processing/other, which shall have a depreciation rate of 10% (an average service life of ten years; zero net salvage value assumed). Such rates shall become effective beginning

with the effective date of the rates established in this case. Also, beginning with the effective date of rates in this case, assets purchased from Fidelity on February 28, 2006 are to be depreciated using Laclede depreciation rates.

Accounting Authorizations/Reservation of Rights

14. The Parties agree that Laclede shall, for book purposes, be authorized to continue to normalize the income tax timing differences inherent in the recognition of pension costs, OPEB costs, and Accounting Authority Order (AAO) recoveries as authorized in Paragraphs 5-12 and 16 of this Stipulation and Agreement; 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.

15. Nothing herein shall be construed as prejudicing the Company's right to pursue revised tariff provisions relating to its liability for services provided to customers, provided that all parties shall retain the right to oppose such provisions on any basis other than the grounds that such tariff provisions should have been disposed of in this proceeding. It is further contemplated that the structure and contents of Laclede's school aggregation tariff will be addressed through a separate tariff filing after conclusion of this case.

16. The Parties agree that \$5,033,655 in uncollectible expense and interest costs relating to compliance from January 1, 2006 through March 31, 2006 with the Emergency Cold Weather Rule Amendment (ECWRA) in Case No. GX-2006-0434 should be amortized and recovered in rates over a five year period at a rate of \$1,006,731

per year. Such costs include \$4,111,936 in uncollectible expense, and \$921,719 in accumulated interest through the end of the amortization period.

Off-System Sales/Capacity Release Revenues

17. Beginning October 1, 2007, a portion of any off-system sales or capacity release revenues realized by Laclede shall be subject to flow-through to customers through the Company's PGA clause with the first associated reduction in PGA rates occurring with the Company's November 2007 PGA filing. The margins from such sales shall be shared between the Company and its customers in accordance with the following grid: (a) for the first two million dollars in annual net revenues, 85% customers/15% Company; (b) for the second two million dollars in annual net revenues, 80% customers/20% Company; (c) for the third two million dollars in annual net revenues, 75% customers/25% Company; and (c) for all annual net revenues in excess of \$6 million, 70% customers/30% Company. Off-system sales margins are to be allocated to firm sales and firm transportation customers in the PGA based upon actual allocation of producer demand charges and capacity reservation charges to those classes. Capacity release credits in the PGA are to be allocated to firm sales and firm transportation customers in the PGA based upon actual allocation of capacity reservation charges to those classes. It is expressly understood that any Party may propose a different treatment of off-system sales and capacity release revenues in a subsequent rate case proceeding and nothing herein shall prejudice or limit that right. The Parties further agree that the Company's tariff relating to off-system sales shall be modified to incorporate by reference therein the terms of this paragraph, as set forth on **Tariff Sheet No. R-43** in

Attachment 2. The prudence of the Company's gas procurement activities shall be reviewed within the relevant ACA proceeding.

Gas Supply Incentive Plan

18. The Parties agree that the Gas Supply Incentive Plan ("GSIP") in Laclede's tariff shall be modified as described and set forth in Tariff Sheet Nos. 28-b.1 and b.2 of Attachment 2 to this Stipulation and Agreement. Such modifications include: (a) an update of the purchasing indices as recommended in the direct testimony of Staff witness David M. Sommerer; (b) implementation of a \$3 million sharing cap; and (c) increase in the Net Commodity Gas Price Incentive Sharing Ceiling ("Ceiling") from \$7.50 to \$8.00 per MMBtu beginning October 1, 2007, with a 6% escalator for each of the next two years beginning October 1, 2008 and October 1, 2009. After the third year, the Ceiling shall remain at the third year level until modified by order of the Commission. It is expressly understood that any party shall be free in the Company's next general rate case proceeding to propose prospective modifications to, or termination of, the GSIP proposed herein. Nothing herein shall be construed as prejudicing whatever rights the parties have upon conclusion of this case to pursue the determination of whether the GSIP proposed herein, or an alternative GSIP, should be approved or terminated by the Commission, provided that, subject to the market-out clause of the proposal, no changes will be made to the GSIP any sooner than the effective date of rates in the Company's next general rate case proceeding. The prudence of the Company's gas procurement activities shall be reviewed within the relevant ACA proceeding.

Low-Income Energy Assistance Program

19. The Parties recommend that the following terms be adopted in connection with Laclede's Low-Income Energy Assistance Program:

(a) Interest at an annual rate equal to Laclede's average short-term debt cost as of March 31, 2007, shall be added by Laclede to the carry-over balance (estimated to be at least \$700,000) as of the effective date of rates in this case for existing programs. The interest referred to above shall be determined as the amount of interest that the carryover amount would have earned from the date of the effective date of rates in Laclede's last rate case until the effective date of rates in this case, based upon the average monthly carryover balances over that period (which balance shall assume Laclede collected the authorized funding for the program evenly in rates over the entire period). This combined amount will be used to fund a pilot low-income program that will terminate no later than three years after Commission approval of the Stipulation and Agreement resulting from this proceeding. The combined amount will be equally distributed to each of the three years of the pilot program. If the funds in any year of the pilot are not spent, the unspent fund will be applied to the regulatory asset account in the next year. Amounts for years two and three will accumulate additional interest until the funds are spent.

(b) Laclede shall invest up to \$600,000 annually in a regulatory asset account to fund the low-income energy assistance program.

(c) Ongoing program review, analysis and revisions will be conducted by a Low-Income Program Review and Evaluation Team (PRET). The PRET shall

consist of Laclede, Staff, OPC and USW Local 11-6, with input from the Community Action Agencies (“CAAs”) administering the program. In addition, no later than 6 months after Commission approval of the Stipulation and Agreement resulting from this proceeding, a third party will be chosen by the PRET to offer assistance and perform a comprehensive program analysis at the end of the three (3) year program period. If Laclede files a general rate case before three (3) years has elapsed, the program evaluator will begin the evaluation at that point in time, with the evaluation to be furnished to all parties at least two weeks before the Staff and Public Counsel file their direct testimony in the case.

(d) The PRET will meet every three months regarding this program. Before each meeting, Laclede will furnish written reports on program measurements to the PRET members. Support documentation will be supplied to PRET on request. Revisions to the program may be made on an annual basis provided the program measurements reflect a need for changes, with input from the affected CAAs and the third party chosen to evaluate the program.

(e) The CAAs and Laclede will file a written report to the Commission annually that summarizes, by month and by income grouping:

- number of participants in the bill credit program;
- number of participants in the arrearage matching program;
- amount of ‘new’ arrearages brought into the program by new participants during that month;
- arrearage amounts at beginning and end of month;
- number of new participants;

- number of participants who have defaulted;
- total dollars spent on bill credits;
- total dollars spent on arrearage matching;
- amount of funds contributed by Laclede; and
- total dollars contributed by customers for arrearage.

The report will also contain a narrative reporting the progress in meeting the program objectives, any problems identified by the PRET, changes to program parameters made during the year, and the reason for those changes.

(f) Beginning November 1, 2007, the program will be conducted in accordance with the general parameters set forth in Attachment 3, hereto.

(g) Any expenditures made for the program (minus one half of the actual summer margin revenues, or a reasonable estimate thereof, as agreed upon by the PRET, paid by participating customers who comply with the terms of the program and \$31 annually in avoided disconnection/reconnection costs for each complying customer), shall be placed in a regulatory asset account during the term of this agreement. This includes expenses for the administration, implementation and the third party evaluator. Compensation to the CAA for administration of the program shall be limited to no more than 10% of the program funds. All costs shall be reviewed for implementation prudence in Laclede's next rate case. Subject to such review, such investments will be reflected in Laclede's rate base in its next general rate case in the same manner as other rate base items, and amortized over a ten-year period. Any monies advanced in rates by customers or by Laclede

prior to rate base inclusion for such programs shall accumulate interest at Laclede's average short term debt cost as of March 31, 2007.

Energy Efficiency and Alternative Energy Programs

20. The Parties agree that the following terms should be approved in connection with Laclede's conservation and energy efficiency programs:

- (a) Laclede shall continue its existing low-income weatherization program at a total funding level of Nine Hundred and Fifty Thousand Dollars (\$950,000) annually, beginning with the effective date of new rates in this proceeding. The funds shall be forwarded to DNR for administration in conjunction with DNR's federal Low-Income Weatherization Assistance Program (LIWAP) for eligible Laclede residential natural gas heating customers. Any funds not expended in a given year shall be carried forward to the subsequent year.
- (b) Any existing rebate monies collected as a result of the Appliance and HVAC rebate programs approved by the Commission in Case No. GR-2005-0284 and not spent (as of the effective date of rates in this case), plus interest at an annual rate equal to Laclede's average short-term debt cost as of March 31, 2007, will be used to continue Laclede's existing rebate programs, until the Energy Efficiency Collaborative (EEC) described below makes its recommendations on continuing, modifying, adding to or terminating these programs on a going forward basis. The interest referred to above shall be determined as the amount of interest that the carryover amount would have earned from the date of the effective date of rates in

Laclede's last rate case until the effective date of rates in this case, based upon the average monthly carryover balances over that period (which balance shall assume Laclede collected the authorized funding for the program evenly in rates over the entire period). Any remaining amounts for these rebate programs at the time of the EEC's recommendations on continuing, modifying, adding to or terminating these programs on a going forward basis will be transferred as a credit reducing Laclede's regulatory asset account. Any credit balances in the regulatory asset accounts will earn interest that is added to the credit balance.

- (c) Any new or modified energy efficiency and conservation programs shall be developed as a result of the EEC process and shall be filed and set forth in Laclede's tariff sheets. The charter members of the EEC (which shall be Laclede, DNR, Staff, and Public Counsel) will choose a portfolio of energy efficiency programs, consistent with steps 4 and 5 in Attachment 4. If a consensus of the charter members cannot be reached, two or more of the charter members may petition the Commission to resolve in accordance with its normal procedural rules any differences over the selection of specific programs for implementation or other aspects of the energy efficiency program development process. The Laclede tariff sheet submitted for any new or modified energy efficiency and conservation programs shall include quarterly tracking/reporting requirements regarding cost and participation in each energy efficiency program including: the number of energy efficiency measures implemented, reported by county

and customer type for each calendar quarter and cumulatively for the fiscal year or program year; funds invested in each energy efficiency program for each calendar quarter and cumulatively for the fiscal year or program year; and other tracking/reporting details developed as a result of the EEC process. Laclede shall provide these written quarterly reports to the EEC within 45 days from the end of each calendar quarter.

- (d) Laclede shall file quarterly reports with the Commission beginning sixty (60) days after the issuance of a Commission Report and Order in this case regarding the status of the EEC efforts. Such quarterly reports shall continue until Laclede files new or modified energy efficiency and conservation program tariff sheets developed as a result of the EEC process. Thereafter, Laclede shall file biannual reports with the Commission reporting on the implementation status of the energy efficiency program and summarizing the discussions.
- (e) Those participating in the EEC process shall include Laclede, DNR, Staff, Public Counsel, USW Local 11-6, electric utilities that have a significant presence in Laclede's service area and desire to participate, as well as other appropriate parties that are acceptable to the EEC charter members. The process shall begin within 90 days after the effective date of a final order in this case and shall generally be conducted in accordance with the procedures set forth in Attachment 4, which is attached hereto and incorporated herein.

- (f) The rates recommended herein include an allowance of One Hundred and Fifty Thousand Dollars (\$150,000) annually which may be used to pay for program development and implementation, including consulting services that will be employed in the process. In addition to these funds, Laclede further agrees to invest up to Three Million Five Hundred Thousand Dollars (\$3,500,000) to fund conservation and energy efficiency programs that are developed as a result of the EEC process over the next three years, unless the parties unanimously agree to request that the Commission approve a greater expenditure during that time period. Any annual funding amounts included in rates that are not expended in a given year will be transferred to the regulatory asset account for energy efficiency costs.
- (g) Subject to a review by any party, including charter members of the EEC, for program implementation and evaluation implementation prudence in future rate cases, such investments for the development, implementation and evaluation of energy efficiency programs that are not funded through the \$150,000 annual funding amount shall be accumulated in a regulatory asset account at the time such investments are made. Such investments will then be reflected in Laclede's rate base in its next general rate case in the same manner as other rate base items, provided that a ten year service life shall be presumed for such investments. Any monies advanced in rates or by Laclede in connection with these programs shall accumulate

interest at an annual rate equal to Laclede's average short-term debt cost as of March 31, 2007.

- (h) Laclede also agrees to provide quarterly updates to the EEC of its progress in evaluating landfill gas from Fred Weber, Inc. as a potential alternative source of system supply. Laclede further agrees to examine other opportunities to develop and utilize gas energy resources that may be available.

Fixed Gas Price Option

21. Laclede, Staff and Public Counsel agree to enter a collaborative process within 90 days of the effective date of the Report and Order in this case to discuss development of an experimental program that would offer a fixed-priced gas cost option to a maximum of 25,000 Laclede customers. It is contemplated that the program shall have no detrimental effect on all other firm sales customers of Laclede Gas and that Laclede would service the program by purchasing a package(s) of firm gas through a competitive RFP process that will be used for customers in the fixed price pilot program up to a maximum of 25,000 customers. This would be a regulated service, with regulated gas supplies and revenues, and a PGA rate would be developed for this class of customers. Laclede shall include its reasonable, incremental administrative costs in the price charged for the program. The collaborative effort by Laclede, Staff and Public Counsel will focus on working out the feasibility and details of the program, including an evaluation plan, any associated reporting requirements, and the tariff sheets for implementing the program.

Infrastructure System Replacement Surcharge

22. As required by Commission rules, the Company's current ISRS shall be reset to zero upon the effective date of new rates in this proceeding. The Parties further agree that, for any ISRS filings implemented between the date new rates are established in this proceeding and the effective date of new rates established in the Company's next general rate case proceeding, the overall rate of return and capital structure calculations and method set forth in Attachment 5 to this Stipulation and Agreement, which is hereby incorporated herein for all purposes, shall be used. Plant in service additions for inclusion in a future ISRS will be limited to additions subsequent to March 31, 2007. The parties agree to continue their resolution of the ISRS issue regarding income tax by reducing the Company's filed amount by one-half of the value of the Staff's tax adjustment and, in exchange for this reduction, implementation of the ISRS as soon as reasonably possible, contingent on the Company's timely provision of data and information, including response to discovery, and the availability of the parties resources to process the surcharge.

Cost Allocation Manual/Affiliate Transactions

23. Within ninety (90) days of the effective date of the Commission's Report and Order in this case, Laclede, Staff and Public Counsel shall begin meeting to discuss any issues or concerns they may have relating to Laclede's Cost Allocation Manual ("CAM"), the compliance of the CAM with the Commission's affiliate transactions rules, and transactions between Laclede and its affiliates. Such meetings shall not be construed as placing any restrictions on Staff's or Public Counsel's ability to investigate and file complaints concerning such matters.

Fidelity Natural Gas

24. Assets of Fidelity Natural Gas purchased on February 28, 2006 shall be valued in rate base in this and subsequent Laclede rate proceedings at the purchase price on that date, less accumulated depreciation accrued on these assets since February 28, 2006. In addition, customers of the former Fidelity Natural Gas Company presently served under the tariff adopted by the Company at the time of the acquisition of the Fidelity assets will be billed under the Laclede Gas Company tariff on a fully effective basis beginning with each customer's gas bill covering their September 2007 billing month. Such arrangement is necessary since proration of billing for the former Fidelity customers effective August 1, 2007 would be unwieldy. The Company will make a filing to withdraw the adopted Fidelity tariff after September 2007.

Other Provisions

25. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation, depreciation or revenue related method, 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 Commission, judicial review or other proceeding, except as otherwise expressly specified herein. Nothing in this Stipulation and Agreement shall preclude the Staff in future proceedings from providing recommendations as requested by the Commission or limit Staff's access to information in any other proceedings. Nothing in this Stipulation and Agreement shall be deemed a waiver of any Commission statute or regulation.

26. 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 this Stipulation and Agreement by August 1, 2007, or as soon thereafter as is reasonably practicable, or approves this Stipulation and Agreement with modifications or conditions that a Party to this proceeding objects to, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

27. 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. 2000) 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 536.070. (RSMo. 2000); and their respective rights to judicial review of the Commission's Report and Order in this case pursuant to Section 386.510 (RSMo. 2000).

28. The Parties agree that all of the prefiled testimony submitted in this case, as well as affidavits prepared and filed by any of the Parties in lieu of Memoranda in Support, that relates to any issue resolved by this Stipulation and Agreement shall be received into evidence without the necessity of the respective witnesses taking the stand.

29. 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 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.

30. If the Commission so requests, the Staff shall file suggestions or a memorandum in support of this Stipulation. Each of the other Parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all Signatories. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other Parties to this Stipulation, whether or not the Commission approves and adopts this Stipulation.

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

32. The non-signatory parties to this case have had an opportunity to review this Unanimous Stipulation and Agreement and have expressed no objection to its contents.

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 Unanimous Stipulation and Agreement.

Respectfully submitted,

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