

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

In the Matter of Laclede Gas Company's)
Purchased Gas Adjustment for 2005-2006) **Case No. GR-2006-0288**

RESPONSE TO STAFF RECOMMENDATIONS

COMES NOW Laclede Gas Company (hereinafter "Laclede" or "Company") and, pursuant to the Commission's April 11, 2008 procedural order in this case, submits its Response to Staff Recommendations. In support thereof, Laclede states as follows:

I. Introduction

On December 31, 2007, the Staff of the Missouri Public Service Commission (hereinafter the "Staff") submitted its Memorandum and Recommendation ("Memorandum") in Case No. GR-2006-0288 for the Company's 2005-2006 Actual Cost Adjustment ("ACA") period. In its filing, the Staff makes a number of recommendations, together with some analysis and comment. This Response addresses only those items expressly recommended by the Staff and certain comments related thereto. It should be noted that Laclede does not necessarily agree with, or acquiesce in, other comments in the Memorandum not specifically addressed in this Response.

II. Response to Staff's Non-Monetary Recommendations.

During the course of its discussions with the Staff over the past several months, Laclede has indicated its willingness to adopt a number of the non-monetary recommendations made by Staff in the Memorandum. These include the following recommendations:

(a) that the Company's Reliability Report address how its pipeline capacity reliably meets the requirements of Laclede's system, including an explanation of how MoGas or other pipeline capacity is necessary to assure that available capacity is sufficient to provide service in the western end of Laclede's service territory (*see* item 1a on page 3 of the Memorandum);¹

(b) that the Company update its Reliability Report to assure that it accurately reflects the available capacity for the months covered by the Report (item 1b, page 3 of the Memorandum);²

(c) that the Company continue to provide Lange UGS winter operational data, including daily UGS supply feeder pressure, UGS withdrawal, pressure at both Lorentz and Woodsmill, and the temperature (item 2, page 4 of the Memorandum);

(d) that the Company revise its tariff to tie the charge for natural gas used during curtailments to the higher of \$20 per therm or the daily NYMEX price plus an appropriate adder (item 3, pages 4-5 of the Memorandum);

(e) that the Company's Reliability Report address whether, and to what extent, reliability is impacted ** _____

_____ ** in the event this should occur in the future (item 4, page 5 of the Memorandum);

(f) that the Company provide information reconciling nominations to metered volumes (*see* the Recommendation set forth under the heading "Volume Reconciliation" on page 11 of the Memorandum).³

¹In the future, the Company will include a copy of the distribution system load studies in the Reliability Report. These studies demonstrate the demand requirements of the various portions of Laclede's distribution system.

²The Company believes that its Reliability Reports have, in all material respects, accurately reflected the capacity under contract at the time they were prepared. If additional capacity is acquired after the Reliability Report is completed, the Company will endeavor to update it.

will continue to provide the Staff access to the market-based information available to Laclede, which illustrates for Staff the market conditions at the time of hedging purchases. Laclede does not believe, however, that it is either analytically useful, nor administratively feasible, to provide further detail, including a minute-by-minute view of why each hedge position is initiated.

Laclede also agrees to the Staff's requests in Recommendation Nos. 6c and 6d. Laclede has previously provided written explanations of both of these issues in the past, but agrees to provide additional information in writing to further clarify these matters for Staff. Regarding Recommendation No. 6e, Laclede makes available to Staff a monthly and cumulative hedging report and agrees to continue to do so, including the status of separate hedge targets on a prospective basis. Laclede will also endeavor to determine what kind of information and analysis, in addition to all of the hedging information already provided by the Company, would be responsive to Staff's Recommendation No. 6f.

With respect to Staff's Recommendation on page 10 regarding Laclede's off-system sales, Laclede would note that it has commenced an internal review of the questions raised by Staff and has notified the FERC Staff that it has taken this action.

Laclede does not agree, however, with Staff's Recommendation at pages 10 to 11 of its Memorandum that the Commission should open up an investigatory docket to explore whether Laclede has complied with the Commission's affiliate transactions rule in its dealings with Laclede Energy Resources ("LER), a marketing affiliate of Laclede's. Laclede would note that as a result of the Stipulation and Agreement in its 2007 Rate Case proceeding, the Company, Staff and Office of the Public Counsel have already

agreed to collaborate on an assessment of the Company's Cost Allocation Manual and its compliance with the Commission's Affiliate Transaction Rule. Pursuant to that agreement, several meetings on this subject have already been held and the Company remains committed to continuing this process. As a result, a process for addressing the general parameters that should govern the Company's affiliate transactions already exists. In addition, this and other ACA proceedings are also available to promptly address any perceived problems or deficiencies with the specific transactions that have been undertaken between Laclede and LER. In view of these existing avenues for addressing the Company's affiliate transactions, Laclede believe there is simply no justification for launching yet another proceeding or investigation into this matter.

In any event, since the Staff's call for such a docket is premised on the "concerns" that it has raised in this proceeding over transactions between Laclede and LER, Laclede believes that the Commission should carefully evaluate whether there is any validity to those concerns before it launches yet another proceeding. As discussed below, Laclede believes that any reasonable examination of the actual evidence in this proceeding will demonstrate – and demonstrate conclusively – that the Company has complied fully with the Commission's affiliate transactions rules in its dealings with LER. It will also demonstrate that there is no basis whatsoever for any of the nebulous concerns that have been raised by Staff in this proceeding, let alone any basis for its proposed disallowances.

To the contrary, Laclede believes that the evidence will show that it is the Staff, and not the Company, that has failed to abide by the clear language of the Commission's affiliate transactions rule by proposing adjustments that are completely unmoored from the explicit requirements and standards that have been established by the Commission to

Respectfully submitted,

/s/ Michael C. Pendergast

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CERTIFICATE OF SERVICE

Gerry Lynch hereby certifies that the foregoing pleading has been duly served upon the General Counsel of the Staff of the Public Service Commission and the Office of the Public Counsel by hand delivery, email, fax, or United States mail, postage prepaid, on this 1st day of May, 2008.

/s/ GerryLynch

Gerry Lynch