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June 26, 2001

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

**RE: Laclede Gas Company,
Case No. GM-2001-342**

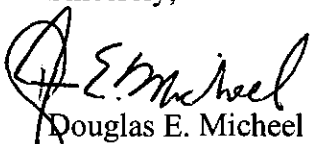
FILED²
JUN 26 2001
Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed for filing in the above referenced case, please find the original and 8 copies of **Statement of Position of the Office of the Public Counsel**. Please "file stamp" the extra-enclosed copy and return it to this office. I have on this date mailed, faxed, or hand-delivered the appropriate number of copies to all counsel of record.

Thank you for your attention to this matter.

Sincerely,


Douglas E. Micheel
Senior Public Counsel

DEM:kh

cc: Counsel of record

Enclosure

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

FILED²
JUN 26 2001
Missouri Public
Service Commission

In the matter of the application of Laclede Gas)
Company for an order authorizing its plan to)
restructure itself into a holding company, regulated)
utility company, and unregulated subsidiaries)

Case No. GM-2001-342

**STATEMENT OF POSITION OF THE
OFFICE OF THE PUBLIC COUNSEL**

COMES NOW the Office of the Public Counsel ("Public Counsel") and provides the Commission with its Statement of Position.

General Issues

1. Does the application for authority to reorganize as currently filed represent a detriment to the public interest? If so, what is the nature and significance of that detriment to the approval of the application?

Yes, as filed and without the conditions recommended by Public Counsel witnesses Kind, Burdette and Trippensee, Laclede Gas Company's application for authority to reorganize is detrimental to the public interest and should be rejected.

Laclede's reorganization without conditions results in Laclede Gas Company having a higher risk profile due to the operations and actions of the parent company, the Laclede Group Inc. (Burdette Rebuttal). Without conditions being imposed that will insulate the regulated operations from the business risk and financial risk of the unregulated operations, the cost of capital will increase for the regulated operations and this cost will be borne by the ratepayers with no offsetting benefit to them. Also, the Laclede Group Inc. could utilize and abuse Laclede Gas Company from a financial standpoint. (Burdette Rebuttal). Approving the reorganization also diminishes this Commission's ability to review Laclede Gas Company's unregulated activities allowing the Laclede Group more opportunities to pursue unregulated business activities without the historical regulatory review. Without the conditions proposed by Public Counsel that require Commission scrutiny over the sale, lease, assignment or transfer of regulated utility assets, and conditions that provide for access to books, records and personnel, appropriate Commission oversight necessary to protect the public interest could be lost or diminished. Public Counsel is also

concerned that approval of the application without certain conditions may allow for potential pre-emption of the Commission jurisdiction by the SEC.

Without Public Counsel's recommended conditions regarding the CAM, employee transfer information, and access to information regarding diversification into non-regulated activities and affiliate transactions, the public interest will be harmed by the increased risk that the restructured company will engage in affiliate transactions and non-regulated activities in a manner that leads to harmful rate impacts. While harmful rate impacts associated with diversification into unregulated activities and affiliated transactions are possible under Laclede's existing corporate structure, such harmful rate impacts are much more likely if Laclede's restructuring application is approved without the consumer protection conditions that are recommended by Public Counsel. The increased likelihood of harmful rate impacts if the application is approved without Public Counsel's proposed conditions would be caused by the increased flexibility that the Company would gain for engaging in unregulated activities and the decreased level of regulatory review and the decreased commission jurisdiction to apply effective remedies to prevent the expected increased level of non-regulated activities from having an adverse impact on ratepayers.

If the application is approved without Public Counsel's recommended condition to ensure that the commission retains jurisdiction over future merger transactions at the holding company level, the Commission may be powerless to protect the public from future merger transactions that could have significant adverse impacts on the price and quality of service provided by Laclede.

This reduced review of Laclede's actions and reductions in the Commission's jurisdiction, without conditions proposed by Public Counsel, would make this transaction detrimental to the public interest. (Rebuttal Trippensee; Rebuttal Kind).

2. Should the Commission approve certain conditions before this proposed restructuring is approved? What, if any conditions discussed in the prefiled testimony of the parties, should be approved by the Commission?

Yes, the Commission should adopt the conditions recommended by Public Counsel witnesses Kind, Burdette and Trippensee.

The Commission should adopt the accounting conditions setout in Public Counsel witness Trippensee's rebuttal testimony. The Commission should adopt the financial conditions setout in Public Counsel witness Burdette's rebuttal testimony. The Commission should adopt the jurisdictional and informational conditions setout in Public Counsel witness Kind's rebuttal testimony.

3. Does Section 393.140(12) RSMo. 2000 prevent imposition of conditions limiting or requiring Commission approval of the business activities of the proposed holding company and its unregulated subsidiaries? Do other regulated utilities engage in unregulated business activities through subsidiary companies with or without Commission approval?

No. Whether other regulated utilities engage in unregulated business activities with or without Commission approval is not relevant to this proceeding. The focus in this proceeding is whether or not the proposed transaction is detrimental to the public interest.

Issues relating to the Intervenor Unions

4. If the Commission accepts OPC's recommendation that it and Staff should have access to employees for Laclede Gas Company and the Laclede Group in connection with Cost Allocation (CAM) compliance should that "access" be limited to non-bargaining unit employees?

5. In the alternative, in connection with CAM compliance, if the Commission believes that the Staff and OPC should have access to all employees of the companies described just above, regardless of bargaining unit status, should the Staff and OPC be required to give reasonable notice of any requested inquiry to the bargaining unit employee's union and allow that union to be present and represent the employee during the CAM inquiry?

6. If the Commission adopts the Staff's recommendation that a "Code of Conduct" be applied to CAM compliance should enforcement of this Code be limited to non-bargaining unit employees?

7. Do the other parties agree to the considerations sought by the unions as detailed on page 7 and page 8 of Mr. Schulte's Surrebuttal?

Response to 4, 5, 6, and 7

Public Counsel believes that all issues relating to the intervenor unions have been settled and will be memorialized in a partial Stipulation and Agreement to be filed

and presented to the Commission in this case. Basically, Public Counsel's concern in connection with the issues raised by the unions was merely that employees assigned to CAM compliance duties be accountable, regardless of their bargaining unit status. Public Counsel had no objections to the unions being notified and/or union representation being present whenever a bargaining unit employee was being interviewed by any of the parties in connection with CAM compliance accountability.

Missouri Energy Group Issue

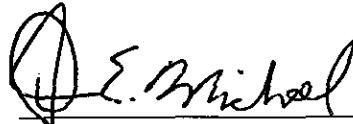
8. Will the proposed restructuring have an adverse impact on the present or future rates for the customers of Laclede Gas Company?

Yes. Without the imposition of all the conditions recommended by Public Counsel, the proposed restructuring will have an adverse impact on future rates for the customers of Laclede Gas Company.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

BY:



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been faxed, mailed or hand-delivered to the following counsel of record on this 26th day of June, 2001:

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