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Missouri Public Service Commission

LACLEDE GAS COMPANY
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101
(314) 342-0598

R. LAWRENCE SHERWIN
ASSISTANT VICE PRESIDENT
REGULATORY ADMINISTRATION

January 31, 2000

GO-2000-395

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
Harry S Truman Building
301 W. High Street
Jefferson City, MO 65101

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Public Service Commission

Dear Mr. Roberts:

Enclosed herewith for filing with the Missouri Public Service Commission is a revised tariff sheet, P.S.C. MO. No. 5 Consolidated, Fourth Revised Sheet No. 28-a, which is applicable to all divisions of Laclede Gas Company ("Company"). The purpose of this revised tariff sheet, which has an issue date of January 31, 2000 and an effective date of March 3, 2000, is to modify those provisions of the Company's revised Gas Supply Incentive Plan ("GSIP II") to extend the term of the GSIP II and the circumstances under which it may be modified or terminated.

The currently effective tariff provisions specify an expiration date for the GSIP II of September 30, 2000. They also give the Company a unilateral right to seek a termination or modification of the GSIP II in the event certain conditions occur. The revised tariff sheet proposed by the Company would alter these provisions by extending the term of the GSIP II until September 30, 2002 and by extending to *all* parties the right to seek a termination or modification of the GSIP II should an unusual and unforeseen event occur that would have a significant impact on purchased gas costs, including a significant change in federal or state laws or regulations or a significant change in gas supply market or system operation conditions. In addition, the revised language proposed by the Company also provides the Commission the authority to suspend the GSIP II in the event, and at such time, as legislation materially affecting the operation of the GSIP is passed by the Missouri General Assembly and implemented in accordance with the terms of such legislation.

The Commission can and should permit the revised tariff sheet to become effective on the proposed effective date. A full and thorough hearing was conducted on the merits of the GSIP II less than seven months ago in Case No. GT-99-303. Given the huge expenditure of time and resources made by the Commission and the parties to that case (as evidenced by the literally thousands of pages of testimony, briefs, depositions and transcripts that were produced in that docket) it is clearly in everyone's interest to avoid such duplicative litigation.

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Moreover, extension of the GSIP II as proposed by the Company is fully consistent with the terms of the Commission's September 9, 1999 Report and Order in Case No. GT-99-303. There, at page 14, the Commission specifically stated that the GSIP II was being approved for only a one-year term in order to allow the Commission to monitor any action that the Missouri legislature may take during the year 2000 in the area of energy deregulation. In its subsequent Order Regarding Request for Clarification and/or Reconsideration, the Commission also indicated that nothing in its initial Report and Order was intended to preclude the Company from seeking a future extension of the GSIP II. Since those Orders were issued, it has become increasingly clear that there will not be any legislative restructuring this year of the natural gas industry. According to the Co-Chair of the legislative committee specifically charged with examining restructuring issues (i.e., the Interim Joint Committee on Telecommunication and Energy), "there doesn't seem to be a lot of general interest in across-the-board restructuring" of the gas industry at this time. (Transcript of November 17, 1999 hearing, p. 69). In addition, that same Committee has repeatedly indicated in its deliberations that before restructuring of either the gas or the electric industries can even be pursued, certain tax issues will have to be resolved --- a process that will in all likelihood require a statewide vote no earlier than November of this year. (See Transcript of November 17, 1999 and January 4, 2000 hearings). Under such circumstances, elimination of the one-year term limitation is entirely appropriate, particularly in view of the modified language proposed by the Company that would permit the GSIP II to be suspended in the unlikely event restructuring legislation affecting the incentive plan was, in fact, enacted and implemented.

Extension of the GSIP II to a cumulative term of three years is also entirely consistent with the positions taken by all the parties to Case No. GT-99-303 in that no party to that case argued for an incentive program with a shorter term than three years. Such a term is also consistent with the three-year term approved by the Commission for the Company's previous gas supply incentive plan.

The revised tariff sheet also addresses the concerns previously voiced by Public Counsel in Case No. GT-99-303 that it be permitted to seek re-examination of the GSIP in the event of changed circumstances. Specifically, in both its testimony and application for rehearing in that case, Public Counsel proposed that the "market out" clause in Laclede's then existing GSIP tariff provisions be expanded to afford all proper parties the opportunity to recommend whether a modification or termination of the incentive program has been warranted by significant changes in market conditions. The language proposed by the Company accomplishes that goal.

The procedures for obtaining information to make a determination regarding changed circumstances are also in place. The Commission recently opened a case for the express purpose of monitoring the Company's performance under the GSIP II. *See In the Matter of Laclede Gas Company's Gas Supply Incentive Plan (GSIP II),* Case No. GO-2000-395, Order Opening Case and Directing Notice (January 11, 2000). With the recent opening of this case, and the procedures recommended by the Company for monitoring its performance under the GSIP II, Staff and Public Counsel now have a specific vehicle for determining whether any of the changed circumstances referenced in the proposed language have occurred and thereby warrant a recommendation to the Commission that the GSIP II be terminated or modified in some manner.

Finally, by permitting the revised tariff sheet to become effective on the proposed effective date, the Commission can eliminate at least some degree of uncertainty in the Company's gas supply planning by removing an abrupt and looming deadline beyond which there can be no assurance regarding the standards that will govern the Company's performance in this area. Although the Company recognizes that the GSIP II will still remain subject to modification or even termination pursuant to the criteria proposed in its revised tariff, the implementation of such language will provide at least some objective means for determining when and under what circumstances such changes might occur. For all of these reasons, Laclede requests that the revised tariff sheet be permitted to become effective on its proposed effective date.

I have enclosed three copies of this tariff filing, one of which is for your convenience in acknowledging your receipt thereof.

Sincerely,

R L Sherman

cc: Commissioners
Office of the Public Counsel

Laclede Gas Company For Refer to Sheet No. 1
Name of Issuing Corporation or Municipality Community, Town or City

SCHEDULE OF RATES

D. Gas Supply Incentive Plan, Effective October 1, 1999 (Continued)

2. The debits and credits to the IA Account shall be allocated to the applicable customer classifications, based on the volumes sold and/or transported during the ACA period. Debits from item 1.b. and 1.d. shall be allocated to the Company's firm sales and firm transportation customers consistent with the allocation of capacity reservation charges set forth in Section A.2.b. The debit or credits from item 1.c. shall be allocated to the Company's on-system firm sales only.

3. For each ACA year, the debits and credits recorded in the IA Account including any balance from the previous year shall be accumulated to produce a cumulative balance of incentive adjustments. For purposes of computing new ACA factors for the subsequent twelve-month period beginning with the effective date of the Winter PGA, such cumulative incentive adjustment balances shall be combined with the appropriate Deferred Purchased Gas Costs Account balances. The Company shall separately record that portion of ACA revenue recovery which is attributable to recovery of the IA Account balances. Any remaining balance shall be reflected in the subsequent ACA computations.

4. If an unusual and unforeseen event occurs which would have a significant impact on purchased gas costs, such as, an act of God, a significant change in federal or state laws or regulations, including tax laws, or a significant change in gas supply market or system operating conditions, the Company, Commission Staff, the Office of the Public Counsel and any other proper party shall have the right at any time to make a filing seeking to either terminate or modify the GSIP, including modification to the Base Period Cost described in 1.d. above. The operation of the GSIP may also be suspended by the Commission, pending further action by the Commission on whether to terminate or modify the GSIP, in the event and at such time as legislation materially affecting the operation of the GSIP is passed by the Missouri General Assembly and implemented in accordance with the terms of such legislation.

5. Unless terminated in accordance with subparagraph D.4., the GSIP shall continue in effect through September 30, 2002.

DATE OF ISSUE January 31, 2000 DATE EFFECTIVE March 3, 2000
Month Day Year Month Day Year

ISSUED BY K.J. Neises, Senior Vice President, 720 Olive St., St. Louis, MO 63101
Name of Officer Title Address