LACLEDE GAS COMPANY
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101
(314) 342-0601

KENNETH J. NEISES
EXECUTIVE VICE PRESIDENT
ENERGY & ADMINISTRATIVE SERVICES

July 9, 2008

VIA EFIS
Secretary
Missouri Public Service Commission
Governor Office Building
200 Madison Street
Jefferson City, MO 65101

Dear Secretary:

Enclosed herewith for filing with the Missouri Public Service Commission are the following revised tariff sheets which are applicable to both divisions of Laclede Gas Company:

P.S.C. MO. No. 5 Consolidated
Thirteenth Revised Sheet No. 21
Sixteenth Revised Sheet No. 22
Ninth Revised Sheet No. 23
First Revised Sheet No. R-36-c

These revised tariff sheets have an issue date of July 9, 2008 and an effective date of August 8, 2008. As discussed below, the primary purpose of these proposed tariff modifications is to enhance the ability of the Company and its customers to function more effectively in today's environment of increasingly volatile energy prices, including wholesale natural gas prices. To that end, the proposed tariff sheets seek to provide customers with additional tools to proactively address – sooner rather than later – the payment challenges posed by these volatile prices. At the same time, the proposed tariff sheets also seek to ensure that the amounts paid by the Company to acquire gas supplies in this increasing volatile marketplace (and, in the process, help its customers maintain utility service) will be more accurately measured and reflected in the rates the Company charges for utility service.

Early Implementation of Cold Weather Rule Provisions

Presently, the provisions of the Commission's Cold Weather Rule ("CWR"), including the provisions that allow customers to retain or restore service under payment plans that permit the customer to pay less than 100% of the customer's arrearages, only apply during the winter period of November 1st through March 31st. The purpose of First Revised Sheet No. R-36-c is to make these payment provisions available to customers in advance of the winter heating period, commencing with the proposed effective date of August 8, 2008.

Laclede is proposing this modification for several reasons. First and foremost, it is Laclede's hope that customers will be encouraged to take advantage of these provisions in a manner that will allow them to retain or restore their utility service while simultaneously working down their arrearages during the remaining summer months. Given the likelihood that customers will face a higher price environment this coming winter due to increases in the wholesale price of gas, Laclede believes that this is a particularly appropriate time to provide its customers with such an opportunity. Moreover, Laclede believes that customers may have a more realistic chance of addressing their arrearage issues this summer if they are encouraged, consistent with the discussions at the Commission's recent roundtables on how to respond to gas prices, to levelize their entire energy bill.

Implementing the provisions of the Cold Weather Rule in advance of the winter heating season has also been endorsed by a representative of one of the main social service agencies participating in the Commission's Roundtables on how to respond to gas prices. The views of those who work most closely with the customers that are most affected by rising energy prices certainly warrant consideration, particularly where they are directed at proposals aimed at assisting customers in getting an early start on addressing the challenges they face.

Finally, making such opportunities available now will hopefully provide for a more orderly, convenient and efficient transition to the winter heating season for the Company and its customers alike. In the past, approaching cold weather and the onset of the Cold Weather Rule has led to a crush of customers seeking both energy assistance and restoration of service over very short periods of time. While there will undoubtedly be a similar rush of customers this year due to the timing of when energy assistance becomes available, early implementation of the Cold Weather Rule's payment provisions may help to mitigate at least somewhat the impact that these factors have on the resources available to the social service agencies as well as the Company.

PGA Modifications

A number of these factors, among others, also warrant the other tariff sheet revisions being proposed by the Company in connection with its Purchased Gas Adjustment ("PGA") clause. Since 1962, the PGA has been used by Laclede to pass through both increases and decreases in the costs the Company incurs to acquire the gas supplies and transportation services needed to serve its customers. Although it is commonly said that the PGA mechanism allows all prudently incurred gas costs to be recovered in the exact amounts that they were incurred, it does not in reality completely accomplish that goal. For example, when reconciling gas cost recoveries to actual gas costs, the existing Section C of Laclede's PGA does not take into account any of the gas costs that have been incurred by the Company to serve customers who ultimately fail to pay their bills. In other words, even though such gas costs are identical in every respect to every other gas cost incurred by the Company – i.e. they consist of the same commodity, storage and transportation costs that make up the other gas cost items recovered through the PGA – they are nevertheless excluded from consideration in the PGA process solely because they have not been paid for by the customers who used the service.

In an effort to bridge this gap in gas cost recoveries, an estimated allowance for bad debt write-offs has traditionally been provided for in general rate case proceedings. However, because the amount of write-offs actually experienced by the Company almost invariably differ from this estimated allowance, the Company will typically end up recovering more or less than the actual level of gas costs it incurred to serve its customers. To eliminate this mismatch, the revised tariff sheets modify Section C so as to permit the Company to recover the difference between the gas cost portion of the Company's actual write-offs and the gas cost portion of write-offs that is currently being recovered through the Company's non-gas rates. Once again, consistent with the purpose and function of the PGA mechanism, this reconciliation and recovery feature would only apply to the gas cost portion of the Company's bad debt write-offs, and not the portion that is related to the Company distribution costs and return on investment.

Laclede strongly believes that this modification represents an appropriate and overdue enhancement to the PGA mechanism that is fully in keeping with the basic goals of that mechanism. Specifically, Laclede believes such an approach is in the public interest because:

- Recognition of the gas cost component of the Company's write-offs as an item to be reconciled in the PGA is consistent with the way other under or over-recoveries of gas cost expense are corrected for to account for the inevitable differences that arise when projected gas prices, usage levels and other factors used to establish rates vary from actual experience – differences that only grow more problematic as prices become more volatile;

- Recognition of the gas cost component of this item in the PGA furthers previous efforts by the Commission Staff and others to distinguish between the Company's gas and non-gas costs, including previous efforts to reflect all gas costs in the Company's PGA tariffs and all non-gas costs in the Company's base tariffs and to advise customers of how much of their bills for utility service consist of gas costs;

- The true-up proposed by the Company is entirely consistent with the proposition that, in fairness both to the Company's customers and shareholders, the PGA should be designed to permit the recovery of such gas costs in the amounts by which they are actually incurred and paid by Laclede to its suppliers, no more and no less;

- Bad debt write-offs, which are predominantly comprised of charges for the recovery of gas costs, are affected by the same volatile market and weather forces that cause gas costs in general to fluctuate widely over short periods of time. In addition, such write-offs are also significantly affected by other factors beyond the Company's control, including regulatory measures that are designed to assist customers in maintaining service. In view of these considerations, inclusion of such costs in a reconciling mechanism like the PGA – where both the Company and the customer are kept whole for the gas cost effects of such factors – is particularly appropriate;

- By only providing for recovery of the gas cost component of bad debt write-offs, the Company's proposal ensures that Laclede will continue to have a strong incentive to pursue reasonable collection efforts since it will remain at risk for approximately 1/4 of any increase in bad debt write-offs and will be able to retain about 1/4 of any decrease in such write-offs, notwithstanding that such increases or decreases or heavily dependent on gas costs;

- Numerous commissions in other states have come to recognize the public policy merits of including the gas cost component of bad debt write-offs in the PGA mechanism. Laclede submits that the same considerations warrant the adoption of a similar approach in Missouri.

In the interest of making minimal changes to Laclede's tariff, the Company has designed its PGA proposal in such a way that no adjustment is required to the Company's base, non-gas distribution rates since the Company currently has no pending general rate case proceeding. Furthermore, since any rate change will be derived as a result of an Actual Cost Adjustment–type reconciliation, there will be no immediate rate impact on customers.

Sincerely,

Kenneth J. Neises / j.j.

Enclosures

cc: 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

C. Deferred Purchased Gas Cost Accounts (Continued)

1. Such excess or deficiency in total gas cost recovery, for each sales classification (firm other than LVTSS and VF, LVTSS, VF and seasonal and interruptible) and for each transportation classification (firm and basic) shall be determined by a monthly comparison of the actual cost of gas, net of storage injections and withdrawals, as shown on the Company's books and records, for each revenue month to the gas cost revenues recovered for such revenue month. The actual cost of gas shall be reduced for any refunds received from the Company's suppliers in connection with gas supply, transportation and storage services. Such refunds shall remain a liability of the Company to be distributed to customers with interest.

2. Each component of actual gas cost shall be allocated to the sales and transportation classifications in accordance with the CPGA components described in Paragraph 2 of Section A above relating to each component and based on the volumes sold and/or transported to the applicable customer classification during the twelve month period ending with the September revenue month. The actual costs of propane peak shaving supplies and penalties will be allocated solely to firm sales customers, including LVTSS and VF customers.

3. The amount of gas cost revenues recovered each month for the sales classes shall be the product of the actual therm sales of each sales class and the gas cost revenue recovery components for such sales class, minus the net write-offs adjustment described below. Such revenue recovery component shall be equal to the CPGA applicable to such sales class.

4. The net write-offs adjustment shall be derived by subtracting one-twelfth of the gas cost portion of the annual net write-offs recovered through the Company's non-gas rates from the gas cost portion of the Company's actual net write-offs in each month. The gas cost portion of the Company's annual net write-offs recovered through the Company's non-gas rates shall be determined in the Company's most recent general rate case. For purposes of application of this paragraph after the resolution of Case No. GR-2007-0208 and after the effective date of this tariff sheet, the gas cost portion of the Company's annual net write-offs recovered through the Company's non-gas rates shall be $8,100,000. The gas cost portion of the Company's actual net write-offs in each month shall be determined by multiplying such net write-offs by the percentage of gas cost revenues to total revenues for all sales customers for the period to which the write-offs apply.

DATE OF ISSUE July 9, 2008 (Month Day Year) DATE EFFECTIVE August 8, 2008 (Month Day Year)

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

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

SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts (Continued)

5. The amount of gas cost revenues recovered each month for the transportation classes shall be the product of the actual therms transported and the "Additional Transportation Charges," where applicable, specified in the Company's Large Volume Transportation and Sales Service tariff.
6. Each month, carrying costs, at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first business day of such month), minus two percentage points, shall be applied to the Company’s average beginning and ending monthly ACA accounts, including the balance of any undistributed refunds received from the Company in connection with natural gas supply, transportation and storage services. In addition, carrying costs shall be applied to the average beginning and ending balance of the cumulative payments made and/or received in connection with the Company’s use of financial instruments as adjusted for hedging gains and/or losses flowed through to customers through paragraph 6 below. In no event shall the carrying cost rate be less than 0%. Corresponding interest income and expense amounts shall be recorded on a net cumulative basis for the ACA deferral period.

.

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

SCHEDULE OF RATES

C. Deferred Purchased Gas Cost Accounts (Continued)

For each twelve-month period ending with the September revenue month, the differences of the comparisons described above including, any carrying costs where applicable, and any balance or credit for the previous year shall be accumulated to produce a cumulative balance of excess or deficiency of gas cost revenue recovery. "Actual Cost Adjustment" (ACA) factors, which shall be included in the Company's November PGA filing, as such filing is described in Section E.1, shall be computed by dividing such balances by the applicable estimated sales or transportation volumes during the subsequent twelve-month ended October period for each of the respective sales and transportation classes. Such ACA factors shall remain in effect until superseded by revised ACA factors in the next scheduled November PGA filing. All actual ACA revenue recovered shall be debited or credited to the balance of the ACA account as appropriate and any remaining balance shall be reflected in the subsequent ACA computations. Beginning with the Company’s ACA factors that become effective in November 2007, the Company shall include in the derivation of those factors that apply to firm sales and firm transportation customers a one-time credit of the amounts owed to customers through September 30, 2007 pursuant to the sharing mechanism set forth in paragraph 11 of the Stipulation and Agreement in Case No. GR-2005-0284, which amounts are recorded in a separate Deferred Purchased Gas Cost account.

Credits attributable to off-system sales margins are to be allocated to firm sales and firm transportation customers based upon the actual allocation of gas supply demand charges and capacity reservation charges to those classes during the October 1, 2005 through September 30, 2007 period during which the credits were accrued. Credits attributable to capacity release are to be allocated to firm sales and firm transportation customers based upon actual allocation of capacity reservation charges to those classes during the same period during which the credits were accrued. In addition, beginning with the Company’s ACA factors that become effective in November 2008, such ACA factors shall reflect the differences between the actual amounts owed to customers pursuant to paragraph 17of the Stipulation and Agreement in Case No. GR-2007-0208 and Section H hereof, and the amounts actually flowed-through to customers through the CPGA. Any difference, negative or positive, shall be allocated to customer classes in accordance with Section H.

DATE OF ISSUE July 9, 2008 (Month Day Year) — DATE EFFECTIVE August 8, 2008 (Month Day Year)

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

RULES AND REGULATIONS

27. Cold Weather Maintenance of Service (Continued):

(14) The provisions of sections (1) through (13) of this rule continue to apply except where inconsistent with the terms of this section.

(A) Each year from November 1 through March 31, and from August 8, 2008 through October 31, 2008, notwithstanding paragraph (10)(C) 2. of this rule to the contrary, the Company shall restore service upon initial payment of the lesser of fifty percent (50%) or $500 of the preexisting arrears, with the deferred balance to be paid as provided in subsection (l0) (B). Any reconnection fee, trip fee, collection fee or other fee related to reconnection, disconnection or collection shall also be deferred. Each year between November 1 and March 31, and from August 7, 2008 through October 31, 2008, any customer threatened with disconnection may retain service by entering into a payment plan as described in this section. Any payment plan entered into under this section shall remain in effect (as long as its terms are adhered to) for the term of the payment plan, which shall be twelve months in duration, unless the customer requests a shorter period or the Company agrees to a longer period. However, the Company shall not be required to offer reconnection or retention of service under this subsection (14)(A) more than once every two years for any customer or to any customer who has defaulted on a payment plan under this section three or more times.

(B) Any customer who is not disconnected or in receipt of a disconnect notice shall, at the customer's request, be permitted to enroll immediately in the Company's Budget Billing Plan. Any current bill or existing arrearage at the time of enrollment shall be dealt with consistent with Section 10(B)(1) through 10(B)(4) of this rule, provided that the customer agrees to make the initial payment prescribed in Section 10(C)(1) or Section 14(A) as applicable.

(C) If a customer enters into a cold weather rule payment plan under this section :
a.) Late payment charges shall not be assessed except with respect to failure to make timely payments under the payment plan; and
b.) The Company shall not charge customers interest on the account balance for any deferral period.